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ENTERPRISE LABOR SHARES SYSTEM PROPOSED

HK170944 Beijing JINGJI GUANLI in Chinese No 4, 1987 (Undated) pp 22-25

[Article by Xu Guohua (1776 0948 5478), Liu Jisheng (0491 0370 3932), Wang Chaosong (3769 2600 2646), Meng Lin (1322 7207), and Li Wenyue (2621 2429 1741): "The System of Labor Shares"--edited by Xu Xiaojiu (1776 1420 3773)]

[Text] The central link in the reform of our country's economic structure is to strengthen enterprises' vitality. How should we strengthen enterprises' vitality? The difficulty does not lie in the large number of small enterprises which are suited to scattered operations but in the rather small number of large and medium-sized enterprises which are state-run and each of which has a rather large output value.

In our opinion, in state-owned large and medium-sized enterprises, under the principles of firmly insisting on the socialist public ownership system and distribution according to work, enforcing the system of enterprise labor shares will help fairly well in solving this problem. To a definite extent, it can solve such problems in our large and medium-sized enterprises in the leadership structure, investment structure, demarcation of departments and localities, shortage of funds, the imbalance between savings and consumption, and so forth. It can smoothly put in order the relations between the three parties of the state, the enterprise and the staff members and workers, fully arouse the three parties' enthusiasm and enable the staff members and workers to truly become the masters of the house.

The Basic Contents of the Labor Shares System of Enterprises

The labor shares system of enterprises is a system to further put in order the relationships in the distribution of interests between the state, the enterprise and the staff members and workers in state-owned large and medium-sized enterprises and to further improve the operational mechanism of the enterprises. Enterprises enforcing the system of labor shares divide the enterprises' funds into two portions, namely, state-owned funds and self-owned funds. Funds owned by enterprises consist of fixed assets and circulating funds formed by the enterprises using their retained profits for investments of a productive and operational nature and for loans. Funds owned by enterprises are treated as labor shares of enterprises and

distributed to each and every staff member and worker under their names and according to their positions, individual labor contributions, and their length of service. They serve as the basis for the distribution of yearend profits to staff members and workers. Labor shares are not issued in the form of certificates. They are not portable, carry no succession right, and cannot be transferred or bought or sold. While employed, the staff members and workers enjoy the labor shares but they will lose them if they leave the enterprise. The annual profits of an enterprise will be divided according to the ratio occupied by state-owned funds and the enterprise's owned funds and are subject to income tax according to different tax rates.

The concrete contents of the labor shares system of enterprises are described as follows:

1. The funds of state-owned large and medium-sized enterprises are divided into two portions, state-owned funds and enterprise owned funds. Of these, the state-owned funds are principally constituted from the net value of the fixed assets of an enterprise and the funds reserved for depreciation in recent years. At present the state-owned funds of large and medium-sized enterprises occupy by far the greater portion of the funds of enterprises. Enterprise-owned funds principally consist of their assets purchased by the enterprise with its retained profits over the years and its circulating funds. Among large and medium-sized enterprises, at present enterprise-owned funds occupy a very small proportion.

According to the above-mentioned ratio of state-owned funds and enterprise-owned funds, the enterprise's profits (commodity tax deducted) are divided during the year likewise into the two portions of profits of state-owned funds and profits on enterprise-owned funds. (See diagram 1 below).

2. Divide the profits earned by the state-owned funds into three parts:

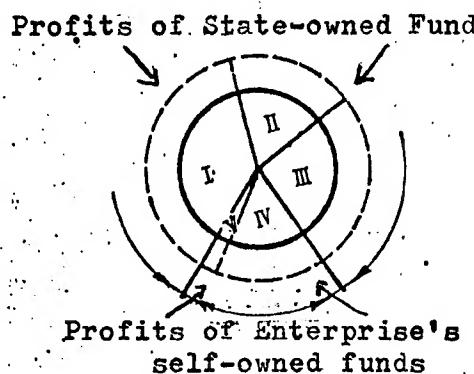


Diagram 1
Profit distribution of enterprises under the system of labor shares

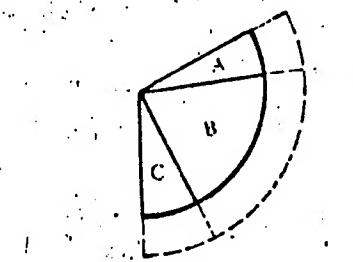


Diagram 2
Distribution of enterprise's retained profits under the system of labor shares

The first portion (see part I in Diagram 1) consists of taxes to be delivered to the state. Following the enforcement of the labor shares system in enterprises, it is recommended that the State re-examine and appropriately lower the income tax rates payable by enterprises. This source of tax income should be limited to being sufficient to meet the expenditures of state organs, education, national defense and various public enterprises. For example, an enterprise's tax delivery to the state should be about 45 percent of the profits earned by its state-owned funds.

The second portion (see part II in Diagram 1) belongs to the State Assets Management Company. This portion of the profits should be converted into state shares. The State Assets Management Company is responsible for the management and operation of the state-owned enterprise assets and takes a share in the profit dividends according to the number and amount of shares of its participation. For example, the dividends on the state shares occupy about 20 percent of the profits earned by state-owned funds. In utilizing the dividends on the state shares, the management company may re-invest in the enterprise and thus increase the number and volume of the state shares, or it may, according to the state's industrial policy and the geographical distribution of industries, invest in other enterprises.

The third portion (see part III of Diagram 1) consists of the enterprise's retained profits. According to the Marxist theory that labor creates value, whether social wealth or the enterprises' assets, they are both created by the labor of the mental worker and the manual worker. When the state invests in the establishment of an enterprise, the new enterprise's fixed assets and circulating funds are the creations of the labor of the whole people. Of the expanded means of production, there is also a portion created by the labor of the staff members and workers of an enterprise. Hence, according to the principle of distribution according to work, the staff members and workers of the enterprise concerned should have the disposal right of this portion of the means of production. It is considered that after abolition of the adjustment tax, from then on, in general the enterprise should retain about 35 percent of the profits earned by state-owned funds and may be treated as a portion of the labor shares of the enterprise.

3. The profits earned by the enterprise-owned funds may be divided into two parts:

The first portion (see part IV in Diagram 1) consists of the retained profits of the enterprise. It takes up about 80 percent of the profits earned by the enterprise-owned funds. This ratio is about same as the profit retention level of existing township and town enterprises, to encourage enterprises to use their owned funds for investment in reproduction. It is also treated as a portion of the labor shares of the enterprises.

The second portion (see part IV in Diagram 1) consists of taxes to be delivered to the state and makes up about 20 percent of the profits earned by the enterprise-owned funds.

4. Taxes to be delivered to the state are comprised of two parts. One part consists of the taxes to be paid from the profits earned by the state-owned funds and the other portion consists of taxes to be paid from the profits earned by the enterprise's owned funds (part I and part V in Diagram 1).

5. The enterprise's retained profits are also comprised of two parts. One part consists of the enterprise's profit retention from the profits earned by the state-owned funds and the other part consists of enterprise's profit retention from the profits earned by the enterprise-owned funds. (Part III and part IV in Diagram 1)

6. Diagram 2 shows the distribution of the enterprise's retained profits under the labor shares system of enterprises. It can be seen from the diagram that all of the enterprise's retained profits may be divided into three parts, namely, fund A for staff members' bonuses and collective welfare benefits, fund B for production development, and fund C for dividends of labor shares of enterprises. The ratio of the three funds are determined by the board of directors in accordance with the enterprise's development conditions.

The enterprise's funds for staff members' bonuses and collective welfare benefits and the funds for dividends of an enterprise's labor shares constitute tactics to arouse the labor enthusiasm of the staff members and workers. After enforcing the labor shares system, it is still necessary to initiate bonus and dividends taxes, but the curve for the progressive increases in tax rates should not be too steep, although the starting point of taxes may conceivably be slightly high.

The funds for an enterprise's productive development may be treated as the source of funds for the allotment of labor shares to staff members and workers. Starting from the plant manager to each and every staff member, labor shares may be allotted in each and every person's name according to the extent of their position responsibilities and their contributions and on that basis, under the precondition that there is a good economic responsibility system, the coefficient for the annual allotment of labor shares to each staff member is determined. Each and every staff member's holding of labor shares is cumulative through the years and the holdings grow in size with the growth in his length of service, in his responsibilities, and in his contributions.

At the end of each year, staff members and workers receive dividends corresponding to the number of labor shares they each hold and retired staff members and workers likewise receive dividends according to a definite ratio of the number of labor shares they each held before retirement. Following the enterprise's development, the value of its labor shares will continuously increase and the number of labor shares held by individual staff members and workers will continue to increase.

7. As seen from Diagram 1 and Diagram 2, if an enterprise wants to earn more, it must improve its operational and management level, improve the profit-earning rate of its funds, and enlarge the profit-pie created by the enterprise (area surrounded by dotted lines in Diagram 1 and Diagram 2). By doing this the enterprise will increase its earnings and the state will increase what it receives. In addition, if an enterprise wants to increase its earnings it will have to put in more enterprise-owned funds. The input of more enterprise-owned funds will give the enterprise special privileges in profit retention; and the input of its own funds will also encourage the enterprise to strengthen its operations and management and to strive hard to improve the profit-earning capacity of its funds. In the case of enterprises which have a high profit-earning rate and in which the volume of enterprise-owned funds have reached a sizable proportion, in the future a possible trend may develop. The enterprise will not welcome continued investments from the state. Hence, the enterprise law should contain a provision that an enterprise has no right to reject the additional investments of state-owned funds.

8. The value-added rate of enterprise-owned funds should be one of the operation targets during the plant manager's term of office. If an enterprise has fulfilled or overfulfilled its operation targets, the volume of the entrepreneur's share-holding should be correspondingly increased according to the size of his contributions. If the targets have not been fulfilled during his term of office, the volume of his share-holding should be reduced. If after a reduction a deficit appears, the plant manager should be asked to make due compensation according to a fixed ratio. If, because of poor management, the enterprise suffers a deficit, then the losses incurred by the state-owned funds should be compensated from the enterprise-owned funds. At this juncture, from the plant head down, each and every staff member should suffer a reduction in share-holding. In the event an enterprise's deficit is due to other causes aside from poor management, such as changes in state policies, then in addition to the compensation made from the enterprise-owned funds, compensation at a fixed ratio should also be made from the dividends of the state-owned funds.

9. After enforcing the labor shares system of enterprises, the repayment of loans, large and medium-sized enterprises should no longer resort to the method of repayment before the payment of taxes. Rather, repayment should be made from an enterprise's retained profits and dividends. The fixed assets and circulating funds formed by the enterprise from bank loans should be treated as enterprise-owned funds and should enjoy a relatively low tax rate. The amount of funds used to repay loans and taken out from the dividends of state-owned shares should be treated as additions to state-owned shares.

10. After enforcing the labor shares system of enterprises, the board of directors is the highest policy-making organ of an enterprise and is formed by the owners of the enterprise's assets, the enterprise's entrepreneurs, and representatives of the enterprise's staff members and workers. If an enterprise enforces the plant manager responsibility system under the leadership of the board of directors, the plant manager represents the enterprise's legal person and carries full responsibilities for the various kinds of work of the enterprise.

11. In order to handle state-owned assets well, the state may establish a state-owned assets management corporation which extends across industries and trades and represents the state in managing state-owned assets scattered among various enterprises. One of the functions of this organization is to be responsible for delegating representatives of state assets to assume the job of the board director or board chairman of an enterprise enforcing the labor shares system. At the same time the organ will make reinvestments in accordance with the state's industrial policies and the development strategies of localities. Hence, from now on capital construction and technological transformation projects of enterprises will derive their investments not only from state financial appropriations and bank loans but also from the income from assets which the state assets management corporation receives from enterprises under the labor shares system.

The labor shares system makes the staff members and workers look at the enterprises as their own enterprise. It makes them feel concerned not only about the current interests but also with the growth of their labor shares and thereby makes the enterprise, out of its own interests, highly regard accumulations and restrict the expansion of consumption funds. It makes the enterprise's acts become rationalized and enables the enterprise to form rational operational, restraining, transformation and perfection mechanisms.

A Comparison of the Labor Shares System of Enterprises With Several Other Reform Suggestions

I. At present, among theoretical circles and enterprises many people believe that the share system should be enforced in state-owned large and medium-sized enterprises. They believe that in order to invigorate enterprises the share system should be enforced. Enterprises issue share certificates, the state sets up a securities market, the state, the enterprise and the individual should be allowed to buy stocks and shares, the boards of directors should be set up on the basis of shares and stocks, and the plant manager responsibility system should be enforced under the leadership of the board of directors.

It is true that these suggestions have many strong points, but at present it is still not realistic to enforce it in the large and medium-sized enterprises in the country because of the following:

- 1) To enforce the share system in enterprises, an assessment must be made of an enterprise's assets. Under the present conditions in which the share and bond market have not yet been opened up and the twisted state of prices, it is impossible to make a correct assessment and evaluation of the assets of enterprises nor is it possible, within a short period of time, to complete the assets assessment tasks of all the large and medium-sized enterprises.
- 2) At present conditions for opening up a share and bond market are still not available. The relevant statutes governing share and stock transactions such as stock exchange laws have not yet been formulated, while certain

material conditions and specialized personnel are still lacking. At the same time stock and bond transactions can very easily generate such evils and drawbacks as speculation, cheating and using one's power and position to seek private gains.

On the contrary, the enforcement of the labor shares system differs greatly from the enforcement of the above-mentioned share system. This is manifested in the following:

- 1) Enterprises enforcing the labor shares system do not issue any share certificates. Hence there is no share and stock market and there are no transactions in stocks and shares. Whether they are national shares or labor shares, they manifest only a share in the distribution of profits on a pro-rata basis and no person or group has any right to buy and sell or to speculate on his or their own shares. This basically upholds the principle of the socialist public ownership system and curbs the possibility of speculative and deceitful activities in shares.
- 2) The most important special feature of the labor shares system is its true implementation of the socialist principle of distribution according to work. That is, the income of each and every staff member is determined not only by his labor contributions during the current year but also by his cumulative contributions to the enterprise through the years. Following an increase in the accumulated labor contributions of a staff member or worker, his accumulation of labor shares will grow in volume. This will encourage him to make even more and larger contributions to the enterprise.
- 3) Advocation of the stock and share system by theoretical circles highlights one of the merits of the individual's ownership of shares which is that he becomes part owner of the assets of an enterprise which will then propel his labor enthusiasm. However, through the formation of a stock market, the shares owned by the staff members and workers do not necessarily all appertain to the shares of their respective enterprises and the good or bad performances of the staff members and workers in their respective places of work have no bearing at all on the dividends on the shares of other enterprises which they hold. Only in an enterprise which implements the labor shares system can its staff members and workers really become part owners of the assets of an enterprise and only then is it possible to fully arouse the labor enthusiasm of staff members and workers.
- 4) Enforcement of the labor shares system readjusts, on the basis of the existing distribution system of enterprises, the distribution relationships between the three parties of the state, the enterprise and staff members and workers. The prosperity of an enterprise and the growth in the income of the individual staff member and worker do not depend on the increase in the volume of share-holding according to capital distribution but on the diligence and labor of the enterprise's leadership personnel and staff members and workers, and on their gradual accumulations. This new method of distribution according to labor shares also indicates the perfection and extension of the enterprise's internal economic responsibility system. As

a result, it will not cause a strong social reaction as in the case of the flotation of shares. At the same time, the labor shares system liaises well with current state policies vis-a-vis enterprises and is therefore easily accepted by them.

At present, in discussions on the reform of the economic structure, some people have advocated the assets management responsibility system to invigorate large and medium-sized enterprises and to arouse the enthusiasm of enterprises. In our opinion, implementing the assets management responsibility system may have many strong points, but it also has the following problems which cannot be easily solved.

- 1) It is not easy to solve the problem of assessing and evaluating an enterprise's assets.
- 2) The assets management responsibility system adopts the tender form in selecting and appointing the person to run the enterprise, and the appointment process takes a long time. At the same time, mere reliance on the tender and selection method cannot accurately reflect the quality and capability of the person chosen. And when a large or medium-sized enterprise incurs a deficit, the entrepreneur is unable financially to compensate for the loss. Hence, enforcing the assets management responsibility system means being only responsible for profits and not losses.
- 3) The assets management responsibility system arouses only the activism of the enterprise's entrepreneur. If it is not handled well, the plant manager and the staff members and workers may be opposed to each other.

On the other hand, under the labor shares system an enterprise is not required to renew the assessment of its assets and the plant manager is appointed by the board of directors. In the enterprise, staff members and workers are not only the laborers or workers but also the operators of the enterprise and also the owners of a portion of the enterprise's assets. While at this juncture the staff members and workers of the enterprise are truly the masters of their house. Simultaneously with being concerned about the income from their own labor, the staff members and workers are all the more concerned with how the funds of the enterprise are being utilized and if operational benefits have been increased.

3. Differences between the labor shares system and the enterprise economic responsibility system currently in force.

At present, the economic responsibility system is in extensive operation internally in various enterprises. It plays an extremely important role in breaking the egalitarianism of the staff members and workers all eating from the same big rice pot. Still, certain imperfections may be found. They are:

- 1) The economic responsibility system has not solved well the relationship between accumulation and consumption in the retained profits of an enterprise. It keeps an eye on carrying out distribution according to the large or small

labor contributions of the staff members and workers but cannot arouse the enterprise's own enthusiasm for carrying out production accumulations. This is also an important cause leading to our country's loss of control over consumption funds.

2) The economic responsibility system has not solved well the relationship between the new and old staff members and workers. It does not pay sufficient attention to the long-term labor contributions of each and every staff member and worker and thus is not beneficial to arousing the enthusiasm of the old staff members and workers.

On the other hand, the labor shares system of any enterprise solves these two problems relatively well.

In short, the labor shares system is different from the capitalist share system; it is also different from the share systems of other socialist countries and is likewise different from the share system currently advocated by certain comrades. This labor shares system of enterprises firmly insists on the socialist public ownership system and the principle of distribution according to work. It enables the enterprise to become a truly independent economic entity, handles relatively well the relationships of the economic interests of the three parties of the state, the enterprise and the staff members and workers, and make the staff members and workers become truly the masters of the enterprise.

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WANG YUZHAO REPORTS ON ANHUI GOVERNMENT WORK

OW200121 Hefei ANHUI RIBAO in Chinese 1 May 87 pp 1-3

[Report on Work of Government delivered by Wang Yuzhao, governor of Anhui, at the Fifth Session of the Sixth Anhui Provincial People's Congress on 21 April 1987]

[Text] Fellow deputies:

On behalf of the Anhui Provincial People's Government, I hereby submit my report on its work for your deliberation.

1. Year of Steady Progress

Nineteen eighty-six was the first year of the Seventh 5-Year Plan. It was also a year in which steady progress was achieved in various reform and construction projects. Led by the CPC Central Committee, the State Council, and the Anhui Provincial CPC Committee, people's governments at all levels and people of all nationalities in Anhui firmly carried out the line, principles, and basic policies adopted since the 3d Plenary Session of the 11th CPC Central Committee, and earnestly executed the resolution of the 4th Session of the Sixth People's Congress. To facilitate economic construction, the central task, we made constant efforts to study the new situations and solve the new problems arising in the course of reform and construction, and successfully accomplished the 1986 economic and social development plans. The national economy continued to grow steadily, political stability and unity was further consolidated, and conspicuous successes were achieved in socialist material and spiritual construction. The province's gross social output in 1986 totaled 44.89 billion yuan, a growth of 10.6 percent; the gross national product was 36.6 billion yuan, up 13.5 percent, the national income was 31.4 billion yuan, up 13 percent; and financial receipts totaled 3.54 billion yuan, topping the set target by 8.9 percent.

A. Continued Development of Rural Economy

According to estimates based on 1986 prices, the gross social output in rural Anhui totaled 33.3 billion yuan, an increase of 16.4 percent over 1985. Of this, the gross agricultural output was 22.19 billion huan, an increase of 11.9 percent (if calculated based on constant prices, the output should be 15,695 million yuan, representing a growth of 3.7 percent); and the gross

output of industry, commerce, transport, construction, and other services was 11.11 billion yuan, up 26.6 percent. This was 33.4 percent of rural Anhui's gross social output; in 1985, it was 30.7 percent.

The output of food grain set a record high in 1986. Attaching great importance to grain production, the province expanded its grain acreage by 2.3 million mu. Capital construction for agriculture was intensified, and a greater amount of chemical fertilizer and electricity was consumed. Due to hard work, Anhui's grain output, despite natural disasters of all descriptions, still reached 23.72 billion kg, an increase of 2.04 billion kg, or 9.4 percent, over 1985. In 1986 Anhui exported 3.25 billion kg of grain to meet requisition quotas or sell at negotiated prices. The steady increase of grain output not only laid the foundation for full-scale economic development in the rural areas, but also met the essential requirements for sustained national economic development and people's living stability.

Rural production was further restructured. The output of all major economic crops, with a few exceptions, increased in varying degrees. The development of animal husbandry and aquatic production was fairly rapid. Output of pork, beef, milk, and eggs continued to increase. By the end of 1986, the number of large livestock had reached a record high, with 7.8 percent more large livestock in inventory than in 1985. Output of aquatic products in 1986 exceeded 207 million kg, up 19.8 percent. Fruit output exceeded 183.6 million kg, up 31.7 percent. All forestry production quotas were fulfilled. Rural enterprises, which continued to grow rapidly, turned out 12 billion yuan of goods and services, up 41 percent. Rapid development of courtyard economy helped peasants become richer more quickly. Development of rural energy made noticeable progress. Energy-efficient stoves were used by 1.32 million households.

New successes were achieved in developing impoverished areas. Carrying out their own anti-poverty programs, with the support of various provincial, prefectural and municipal departments in the form of capital, supplies, technical expertise, and personnel, Anhui's 16 most impoverished counties expedited their economic development. In 1986, a total of 103.5 million yuan, or 180 percent more than in 1985, was earmarked for assisting various production projects in these counties. Preliminary statistics show that a total 212,800 households, or 1,007,000 people, in these counties had their food and clothing problems solved in 1986.

B. Steady and Coordinated Industrial Growth

In 1986 Anhui's total industrial output reached 29.19 billion yuan, an increase of 14.7 percent over 1985. All 17 prefectures and cities increased output in all industrial sectors. The number of counties whose industrial output exceeded 100 million yuan increased to 53 from 47 in 1985.

Output of energy and raw and semifinished materials increased fairly rapidly. Strained communications and transport services were alleviated. Compared with 1985, electricity output increased 13.3 percent, output of local coal mines increased 16.6 percent, and cement output increased 22.8 percent. Thanks to economic cooperation and market regulation, the supply of commodities

increased, and the shortage of major production means was alleviated. Mileage of highways accessible to transport service was 1,170 km longer throughout the province, local freight transport increased 15.4 percent, and passenger transport increased 11.1 percent. New headway was made in postal and telecommunications services, and in geological prospecting.

Products mix was more in line with market needs. Output of popular goods increased fairly rapidly. Compared with 1985, output of bicycles increased 25.3 percent, refrigerators increased 110 percent, woolen fabrics increased 24.6 percent, and cigarettes increased 10.6 percent. The output value of quality goods reached 4.11 billion yuan, with 16.4 percent of goods being of good quality. Of the 349 quality goods selected in Anhui in 1986, 1 won the state's gold award and another won the state's silver award, and over 40 others won ministerial awards. The state's golden award was received for a hydraulic excavator manufactured by the Hefei Mining Machinery Plant.

Technological development achieved new progress. In 1986, Anhui invested 1.86 billion yuan in replacing outmoded equipment and technology. The 47.6 percent increase in investment over 1985 prompted the development of a number of new and better products and technologies, expanded the production of some popular goods, and accelerated the process of assimilating imported technology.

C. Lively and Prosperous Market, and Higher Growth in Foreign Trade and Export

In 1986, the volume of commodity retail sales reached a total of 16.97 billion yuan, or 18 percent more than in 1985. After adjustments for commodity price rises, the growth was 12.2 percent. In 1986, Anhui's total exports exceeded \$489 million, an increase of 13.8 percent.

Retail sales in cities and rural areas were brisk. Retail sales of all types of commodities increased substantially. There were noticeably more varieties of goods, and the distribution system improved. As for means of agricultural production, chemical fertilizer supply was unable to meet the demands at the time, and the shortage gave rise to panic purchasing in some localities. Thanks to the provincial government's emergency measures of assisting producers to produce and supply more, explore more sources of supply, and streamline distribution, the supply of chemical fertilizer reached 4.28 million metric tons, an increase of 13.5 percent over 1985. As for supply of consumer goods, we paid special attention to production of nonstaple foods; and pork, vegetables, and eggs all registered higher outputs.

New achievements were made in promoting foreign economic relations and trade. Total exports in 1986 exceeded \$367 million. This represented a growth of 19.7 percent over 1985; it was achieved after substantial increases over the preceding several years. Export in 1986 was normal. New progress was made in using foreign capital. The total number of business deals concluded in 1986 was the same as during the entire Sixth 5-Year Plan period, and the total amount of foreign capital used in 1986 was 55 percent more than that used during the Sixth 5-Year Plan period.

D. Continued Increase in Revenue

Last year we met with great difficulty in financial and taxation work, but thanks to the efforts of all concerned, we were able to achieve fairly good results in fulfilling the annual revenue quota. The province's budgeted revenue for 1986 was originally set at 3.62 billion yuan. Later, because of a refund of grain overstock fees and because of other reasons, the central authorities reduced our province's budgeted revenue quota, and it was adjusted to 3.54 billion yuan. The actual result of implementing the budget was that we fulfilled 100.1 percent of the adjusted budget.

To support economic construction and the development of various undertakings, we increased our input of agriculture, education, key construction, and technological transformation while continuing to adjust distribution relations between the state and enterprises. Expenditures for supporting rural production and defraying agricultural operating expense (excluding capital construction and relief funds) for the year amounted to 314 million yuan, up 19.13 percent above the preceding year. In addition, a special fund of 20 million yuan was set aside for county-level economic development. The growth of education funds in the province exceeded the increase in regular financial revenue, and the money spent for education, averaged on the basis of the number of students in schools, also showed an increase. In 1986 the province's appropriation for education stood at 711 million yuan, or a 19.8 percent rise above the preceding year. This greatly surpassed the revenue growth rate for the year. This appropriation, plus the extrabudgetary education funds raised from various sources, totaled 916 million yuan, or 24.8 percent more than in the preceding year. The amount of education fees levied was 110 million yuan, up 42.8 percent above the previous year. The average per-capita amount of money spent for education calculated on the basis of the number of students in schools rose by 287 yuan for institutions of higher learning, 72 yuan for secondary specialized schools, and 7 yuan for primary and middle schools, as compared with the preceding year.

E. More Attention Given to Construction of Key Projects and Infrastructure

Last year, state-owned units in the province invested 3.52 billion yuan in capital construction. This was 29.9 percent more than such investment made in the preceding year. Earnestly implementing the State Council's Regulations on Controlling the Scale of Fixed Asset Investment, we checked all projects under construction in the province and stopped or deferred a number of them, including those for the construction of office buildings, auditoriums, hotels, and halls as well as projects with insufficient conditions to justify their construction. At the same time, we put more stress on the construction of key projects. As viewed from the result of implementation of the whole year's budget, investment in projects listed in the plan was by and large controlled and kept within state-set limits. Investment in projects not included in the plan was 8.7 percent less than the preceding year.

The pattern of investment improved. The percentage of investment in energy, transport, postal, and telecommunications projects and raw and semifinished materials industries compared with the investment rose from the preceding year's 48.3 percent to 51.7 percent. Investment in productive construction

projects was 47.6 percent more than the preceding year, and the percentage of such investment of the total investment increased from the preceding year's 59.8 percent to 68 percent. As for investment in nonproductive construction projects, the amount grew 3.6 percent, but its percentage of the total investment dropped from the preceding year's 40.2 percent to 32 percent. Of the capital construction projects in the province, 49 percent were completed and put into operation last year, a rise of 2.7 percent compared with the preceding year. The completion and operation of a number of key construction projects, including the No. 2 generator unit at the Luohu Power Plant and the No. 3 generator unit at the Hefei Power Plant, boosted the production capacities for energy, raw and semi-finished materials, as well as some manufactured goods for daily use.

F. New Progress Made in Education, Science, and Cultural Undertakings

Steady progress was made in education in the course of reform. Nine-year compulsory education was gradually popularized. Some 96.8 percent of all school-age children were in school, up from 94.8 percent of the previous year, and 63.1 percent of all primary school graduates managed to get into secondary schools, up from 61.8 percent. Junior middle education was basically popularized in urban areas. The structure of secondary education improved somewhat. The percentages of students enrolled in technical secondary schools, skilled workers schools, senior middle vocational schools, and general senior middle schools became more reasonable. In higher education, readjustments were made in administrative structure and the proportion of academic disciplines, resulting in better educational quality. Adult education continued to develop in the course of readjustment. Anti-illiteracy work also yielded good results.

New successes were scored in orienting science and technology toward economic construction. Some 500 achievements in science and technology won provincial-level awards, and some of them have been applied in production and construction. Particularly noteworthy were three major scientific research achievements in the computer, laser, and other high technology fields; these achievements were of advanced world standards. "Sparkling plans" in rural areas have been well received by peasants and are being actively implemented. In all of 1986, 144 projects of this nature were undertaken, amounting to more than 67 million yuan in investment. These projects are expected to bring in an additional 460 million yuan in output value and 90 million yuan in taxes and profits after they are put into operation. Science and technology were used to develop selected sections of the Dabieshan mountainous area step by step. Technical markets, those in rural areas in particular, expanded, breathing new life into rural economic development. Research in soft science played an increasingly important role in macro-economic management. Scientific research and production units widened and intensified lateral cooperation, giving birth to a number of integrated entities that combine scientific research and production.

Encouraging results were made in culture, public health, and sports. Guided by the principles of "serving the people and socialism" and "letting a hundred flowers blossom and a hundred schools contend," large numbers of cultural workers worked hard to enrich the people's spiritual lives. Two programs of

provincial acrobatic troupes won separately the gold and silver prize in contests at the World Acrobatic Festival. Our province's flower-drum-lantern gong program won the grand prize at a national contest. Radio and TV broadcasting, film-making, journalism, and publishing flourished. Positive achievements were made in rural health work reform, the establishment of a three-level medical and health care network, as well as the consolidation of the pharmaceutical market. Thanks to the promotion of the mass patriotic health campaign, the incidence of acute contagious diseases throughout the province dropped 18.6 percent compared with the previous year, and endemic diseases were brought under control. A sampling survey of the handicapped was conducted in accordance with the state's unified plan. New achievements were made in greening and beautifying the environment as a result of the activities to build civilized cities and towns. Greater efforts were made to promote planned parenthood. Natural population growth rate in the province was 11.3 per thousand. Sports activities were vigorously carried out among the masses, and people of all walks of life were encouraged to promote sports. Athletic training standards improved, and better results were made in sports competition. Our province's athletes won 7 gold medals and 2 silver medals at the 10th Asian Games, and bagged a total of 142 gold, silver, and bronze medals in major tournaments at home and abroad.

G. People's Living Standard Further Raised

Through developing production, the people in urban and rural areas of this province have further increased their income. According to a sampling survey, the average per capita net income for living expenses of urban residents in 1986 was 750 yuan, up 28.5 percent as compared with the previous year, and the average per capita net income in rural areas was 396.5 yuan, up 11.3 percent over 1985. The retail price index in 1986 rose 5.2 percent, which was less than the increase in income of people in urban and rural areas. As of the end of 1986, the total net balance of savings deposits of people in urban and rural areas was 5.54 billion yuan, an increase of 44.2 percent compared with the same period of the previous year. Housing conditions of people in urban and rural areas improved. Social security and welfare work developed further.

Civil affairs, public security, judicial affairs, foreign affairs, overseas Chinese affairs, tourism, nationality affairs, religious affairs, people's air defense, and militia work all made new achievements, contributing to the building of material and spiritual civilization.

Deputies!

Our province's progress in various fields during 1986 was the result of concerted efforts and hard work of the broad masses of workers, peasants, intellectuals, cadres, commanders and fighters of the PLA, armed policemen, cadres and policemen of public security and judicial organizations, and people of all walks of life. This progress was the continuation of the lively and prosperous political and economic situation since the convocation of the 3d Plenary Session of the 11th CPC Central Committee. The past 8 years were the longest period of stable development of the economy and social work in this province since the founding of new China and were marked by substantial achievements. During these 8 years, the total social output value increased

150 percent; the national income, 120 percent; state revenue, 58 percent; and grain output, 60 percent in the province. As a result, economic power greatly increased and the people's living standard significantly improved. All this fully proves that the line, principle, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee are completely correct. We must firmly adhere to the four cardinal principles, persist in carrying out the policies of reforming the economic structure, opening to the outside world, and invigorating the domestic economy, maintain continued social stability and economic prosperity, and march toward a brighter future step by step.

Adhering to the four cardinal principles is the foundation for building our party and running our country. In 1986, on the basis of our past efforts, we continued to adopt various forms in carrying out education on keeping to the socialist road, upholding the dictatorship of the proletariat, upholding the leadership of the party, and upholding Marxism-Leninism and Mao Zedong Thought, thus ensuring the correct orientation in building spiritual and material civilization. The governments at various levels attached importance to promoting democracy and the legal system, and consciously accepted supervision by the people. In making decisions on important issues, the provincial government took the initiative in soliciting opinions from the Standing Committee of the Provincial People's Congress and the people's deputies and systematically made reports on various work to the Provincial People's Congress and the Standing Committee of the Provincial People's Congress. Since the last session of the Provincial People's Congress, deputies to the NPC and the Provincial People's Congress and members of the National CPPCC Committee and the Provincial CPPCC Committee made many suggestions, criticism, opinions and proposals. All the 312 cases have been handled. We made significant progress in checking and enacting local laws and regulations, and socialist construction and administration are now on the right track. We popularized knowledge of the law among government functionaries and all citizens, raised government functionaries' consciousness of doing things in accordance with the law, and enhanced the people's concept of the legal system and citizen's rights. By continuing to struggle and taking actions to severely punish serious law offenders and those who committed serious economic crimes, and taking comprehensive measures to improve social security and correct unhealthy tendencies, we further improved social security and order in the whole province. Further development was made in the comprehensive patriotic united front. The long-term cooperation of various democratic parties and nonparty democrats with the CPC and the people's government was further expanded. The relations of equality, mutual assistance, and close unity among the people of various nationalities in the province were further strengthened. Toward the end of last year, serious incidents of troublemaking by a small number of students took place in several institutions of higher learning in the province. Governments at all levels and the departments concerned, working under the party leadership, seriously implemented policies, acted strictly according to law, and educated and guided the students. The trouble was soon over and the situation of stability and unity was consolidated.

To persist in carrying out reforms, opening to the outside world, and invigorating the economy is the basic principle for building socialism with

Chinese characteristics. In 1986, we carried out reforms thoroughly and took further steps to open to the outside world and develop an open domestic economy in accordance with the principle of consolidating, assimilating, supplementing, and improving. In rural areas, we further improved the system of contracted household responsibility which operates under both unified management and separate management. We actively made explorations into a second-stage rural reform and continued the overall reform of county-level economic structure. The rural economy has gradually become diversified. The comprehensive reform of the economic structure, with focus on invigorating enterprises, was deepened: and the system of economic responsibility of various forms was gradually developed and became better and better. "Certain provisions on further invigorating commodity circulation" formulated by the Provincial Party Committee and the provincial government have promoted the reform of the commercial structure. A money market began to take shape, and a market for means of production was set up for the first time. We formulated some measures for encouraging export and attracting foreign investment in accordance with central policies, improved investment environment, and expanded our economic exchanges with foreign countries. Lateral economic cooperation has become more widespread and substantial, bringing into fuller play the superior economic features of this province. These reform measures have greatly promoted the development of socialist commodity economy.

While fully affirming our achievements, we also soberly see many shortcomings and problems in our work. First, we have not yet fundamentally solved the problem that our capital construction is spread over too many projects and yielding poor results. In 1986, 19 percent of the investment made by State-owned units in capital construction were not included in annual plan. Of the investment outside the plan, local investment accounted for 40.3 percent. Capital construction procedures were not followed for many projects and construction was repeatedly slowed down, causing actual investment to far exceed estimates. The engineering quality of some projects was poor. Second, expenditures, particularly nonproductive spendings, increased too fast and there were serious wastes and extravagance. In 1986, the provincial expenditures increased by 20.9 percent over the 1985 figure and the increase in expenditure was much greater than the increase in revenue. In the last 3 years, the provincial revenues increased by 1.046 billion yuan but the provincial expenditures increased by 1.34 billion yuan. Most of the expenditures were for other than investment in productive projects. Many departments and organizations increased staffing in excess of authorized number of slots. Some organizations still commit such serious malpractices as allocating more and more funds for meeting and reception expenses, going in for ostentation and extravagance, spending lavishly, and indiscriminately issuing bonuses and subsidies in cash or in kind. In 1986, the revenues were slightly greater than the expenditures in the province as a whole, but deficits arose in the provincial-level finance and in the finance of some counties. Third, the economic efficiency of industrial enterprises decreased, while their deficits increased. Due to price hike of some raw and semifinished materials, higher interest rate for loans, and poor management, the enterprises delivered a lesser portion of their revenues as profits and tax payment because of higher cost of comparable products, thus increasing the volume and widening the scope of deficit. Industrial product mix remained rather incompatible with consumption pattern in some areas. There were still

quite a few problems in production safety. A water-leak accident in the Huainan small coalpit last March caused serious damage, for which we should be responsible. Fourth, the construction of infrastructure and service system and the popularization of technology still could not catch up with the needs of rapid development of commodity economy in rural areas. Unauthorized use and occupation of farmland was not effectively checked. Fifth, shortcomings such as overstaffing, procrastination, and low efficiency continued to exist in the work of government. The aforesaid problems show our failure to take firm and effective measures to improve workstyle and overcome bureaucratism. From now on, we must exert ourselves to solve the problems.

Fellow deputies,

In the coming New Year, we must earnestly implement the principles and tasks set by the Fifth Session of the Sixth NPC. In the economic sphere, we must adhere to the correct principles for construction, launch the campaign to increase production and practice economy, raise revenues and reduce expenditures, deepen the structural reform, and open wider to the outside world so as to ensure a sustained and steady growth of the economy as a whole. In the political sphere, we must conduct deep-going education in upholding the four cardinal principles resolutely combat bourgeois liberalization, intensify the building of socialist spiritual civilization, and further consolidate and develop political stability and unity. Governments at all levels, all trades and professions, and all institutions, enterprises, and social organizations must focus their attention on these two major tasks and earnestly promote the work in all fields.

2. Deepen the Reform and Vigorously Launch the Campaign to Increase Production and Practice Economy to Ensure Steady and Sustained Growth of the Economy

A new situation has emerged in the economic work this year. The central authorities have decided that in order to cool down the overheated economy and concentrate financial resources on key state construction projects, local governments should cut down their expenditures for 3 consecutive years and loan the money to the Central Government. The target set for Anhui to reduce expenditures is 296 million yuan; at the same time, it must issue 124 million yuan bonds for key construction projects and 60 million yuan bonds for some key enterprises, and change the portion of funds for key energy and transport construction projects to be delivered to the state to an inverse 3:7 ratio, which will result in a decrease of some 50 million yuan revenues for the province. These measures, which are entirely necessary for ensuring our overall national interests and long-range interests, should be carried out to the letter. We must achieve unity in thinking so as to thoroughly accomplish all these tasks. The provincial government has decided that all expenditures should be cut by 18 percent over last year, except for price subsidies, pension and social welfare, militia expenses, and interest and principal payment for debts at home and abroad, which are authorized by the central authorities, as well as some special-purpose funds and wages for employees of administrative units. The provincial government has also decided to enforce the "three guarantees and three restrictions" in investment in fixed assets; that is, to guarantee the construction of projects included in the plan, of

productive projects, and of key projects while restricting projects that are outside the plan, nonproductive, and non-key, and to reduce provincial-level investment in capital construction by 23 percent.

It must be clearly pointed out that to curb excessive investment is not solely a passive policy. It is, in fact, aimed at bringing about a proportional balance in the major sectors of the national economy, eliminating runaway construction, extravagance, and waste, resulting from hope for rapid change and unrealistically high consumption aspirations, as well as concentrating energy and working hard to strengthen, and bring about steady and sustained development of, the national economy. In a word, it is aimed at developing the social productive force better. We must brace up and extensively carry out the campaign across the province to increase production, practice economy, raise revenue, and reduce expenditure. Only thus can the social and natural resources be effectively and rationally utilized. We must further fully utilize the resources to improve economic results, bring the overall social demand and supply into line, and concomitantly carry forward the fine traditions of building up the country through thrift and hard work under new historical conditions. The launching of the campaign to increase production, practice economy, raise revenue, and reduce expenditure is not merely a stopgap measure for solving immediate economic problems. It is a long-term policy for building socialism with Chinese characteristics. We must persist in our efforts and strive to win success this year.

The major targets for the province's economic development in 1987 are as follows: Total industrial and agricultural output value to reach 48.5 billion yuan, an increase of 8 percent over 1986, among which total industrial output value to reach 32 billion yuan, up 9.6 percent; and total agricultural output value to reach 16.5 billion yuan, up 5.1 percent. Total grain output to reach 23 billion kilograms, an increase of 4.5 percent over last year's plan. Total revenue to reach 3.75 billion yuan, up 5.9 percent. Total social commodity retain sales to reach 18.9 billion yuan, an increase of 11.3 percent. Total exports are planned to reach US\$355 million, but we should strive for a higher target.

To achieve the above targets, we must do the following tasks competently in the course of deepening reform and carrying out the campaign to increase production, practice economy, raise revenue, and reduce expenditure.

A. Build Up Our Capacity for Sustained Agricultural Development by Developing Grain Production and the Rural Commodity Economy

We must extensively, and intensively, study and publicize the CPC Central Committee's instruction on "Deepening Rural Reform," unswervingly carry out the party's principle and policies in the rural areas, and adhere to, stabilize, and perfect the system of contracted responsibilities, based on the household, with remuneration linked to output. We must also ensure the continuity and stability of policies, guide rank and file cadres and peasants to deepen rural reforms, continue to readjust the production structure, reform the system of unified and assigned purchases, develop various modes of economic cooperation, increase investment in agriculture, strengthen farmland

capital construction, and promote still greater development of the rural economy.

To ensure stable growth in grain production is most important for developing the rural economy and for promoting rural reforms. Fundamentally, the agricultural problem is one of grain. The comparatively steady and rapid economic development in Anhui Province in recent years can be attributed to bumper grain harvests. Under Anhui Province's economic conditions, should difficulties occur in grain supply, reform and construction would be impaired, and stability and unity undermined, because everybody is concerned about feeding his stomach. Hence, grain production must be taken seriously at all times. The total acreage under grain must be stabilized around 91 million mu in Anhui Province. It is necessary to strengthen land management and resolutely prohibit the unauthorized occupation and use of arable land. It is also necessary to raise the per-unit output, and improve the quality of grain by improving seed strains, reforming the cultivation system, transforming medium and low-yield farmlands, and popularizing new agrotechniques. Furthermore, we must also enhance our vigilance in fighting disasters and winning bumper harvests. This year's abnormal weather, such as the intermittent occurrence of sleet, hail, snow, and pests, is highly unfavorable to the growth of summer-harvested crops. All localities must carefully strengthen farmland management, and earnestly do a good job in the production, supply, and transportation of agricultural means of production, especially that of chemical fertilizers, farm chemicals, plastic film, farm machinery, and implements, in order to ensure a good harvest for the summer-harvested grain and oil-bearing crops, and to lay a solid foundation for a bumper harvest in 1987. We must continue to carry out the double-track system of contracted procurement of grain and market procurement. In order to ensure fulfillment of the contractual procurement of grain, it is necessary to implement the contract responsibility system at various levels. In the event of failure to fulfill contractual procurement in normal harvest years, the shortcomings should be made up for through negotiated purchasing, with the price differences paid by the localities themselves. Likewise, it is necessary to fulfill such contractual obligations as the supply of high-grade chemical fertilizers and diesel oil, and the payment of deposits. In the event of nonfulfillment, departments concerned should cover the losses incurred by the peasants as a result of price differences. Sale of grain outside the procurement plan should be liberalized. It is essential to continue to take effective measures to alleviate the peasants' burden.

Vigorous efforts should be made to develop a diversified economy and ensure stable growth in cotton, flue-cured tobacco, tea, silkworm cocoons, and hogs. The provincial government has adopted policies and measures to develop production of cotton, flue-cured tobacco, and hogs. These policies and measures are being implemented in various localities. It is necessary to promote apple growing, aquatic production, animal husbandry, poultry raising, and vegetables growing, and to build and consolidate farming by-products bases in a planned manner. The courtyard economy, which is important to the development of a diversified economy, should be given a strong boost, conducted with positive guidance, and incorporated into the commodity economy.

Mountain areas occupy one-third of the province. It is necessary to stress the work in mountain areas, further implement the policies in this regard, fully exploit mountain resources, and expedite the development and construction of those areas. The public should be mobilized to readjust the production structure by actively developing such diversified operations as forestry, tea production, apple growing, production of farm chemicals, growing of food grains other than wheat and rice, and processing of forestry by-products and indigenous articles, along with the effort to develop grain production. It is particularly essential to develop communications and commodity circulation in order to enliven the economy in mountain areas. Efforts should be made to refine the forestry production responsibility system, do a good job in afforestation, and prevent wanton tree-felling. It is necessary to manage forestry resources properly and conserve water and soil resources.

Anhui's village and town enterprises have developed rather rapidly in recent years. It is essential to implement the principle of actively supporting these enterprises, making reasonable plans, providing correct guidance, and stepping up management, and, on the basis of continuing the household-run and joint household-run operations of these enterprises, make the four components of this principle work simultaneously. Efforts should be made to speed up the consolidation and transformation of existing enterprises, improve all kinds of operational contract responsibility systems, and upgrade the qualities of enterprises and products. Correct production policies should be taken to develop, on a priority basis, the production of export commodities and the processing of agricultural by-products and indigenous articles. Peasants should be induced to form a variety of economic associations and develop specialized production. Long-term and stable principles should be adopted to protect the lawful businesses and legitimate rights of private specialized householders and business operators in rural areas. In order to ensure sound development in the diversified economy and village and town enterprises, it is necessary to establish and strengthen, as soon as possible, all kinds of service systems. Various types of economic entities, at and below county level, should change their functions, switching from administrative management to operations and services.

It is necessary to increase agricultural input and improve conditions for agricultural production. Despite significant cutbacks in expenditure this year, it has been initially arranged to increase financial assistance for rural production by 1.8 percent from the previous year. The percentage of this appropriation in overall financial spending has been raised to 3.8 from 3.6 in the preceding year. The ratio of agricultural investment to investment in provincial-level capital construction projects has also risen to 33.8 percent from 26 percent the previous year. The tremendous efforts made to increase agricultural input still fail to meet the needs of agricultural development. It is necessary to establish a system of farm labor, by which the peasants are encouraged to expand agricultural input. Financial departments at all levels should make arrangements for agricultural investment on a priority basis, and reserve funds in counties and townships should be put to agricultural use. It is particularly essential to take effective measures to step up water conservancy projects by doing a good job in managing, renovating, and outfitting existing water conservancy facilities, along with

efforts to harness rivers, in order to improve water conservancy results and increase the capacity to resist natural calamities.

We must not relax our efforts in promoting economic development in old revolutionary base areas, in areas where floodwater is stored to cope with possible drought and in impoverished regions. Our guiding ideology should be to persistently encourage and help every household in those localities to free themselves from poverty and become well-off. We should implement the target control responsibility system, and charge provincial departments and bureaus as well as the eight cities directly under the province with the sole responsibility of helping the poor. We should help the poor achieve real results by providing scientific and technological know-how. Our goal is to solve the problem of clothing and food for the poor in the first three years of the Seventh 5-Year Plan, and to enable them to become well-off in the last two years.

B. While Raising Economic Benefit as the Central Task, Strive to Increase Production and Income and Earnestly Strive to be Diligent and Thrifty

Our province has very favorable conditions for increasing production and income. At present, the demand for some 30 percent of all industrial products exceeds supply. The market for commodities in great demand is expanding. This provides favorable conditions for increasing production. If the rate of energy consumption for each 10,000 yuan worth of industrial products manufactured by our province last year had been on a par with the national average, we could have saved some 1.6 million metric tons of standard coal that year. If circulation funds for industrial production had increased at the same rate as our industrial growth, we could have saved some 500 million yuan of capital, and our interest payments could have been reduced by about 35 million yuan. Every enterprise and every economic department should practice austerity in their expenses and strive to tap all latent potential. They must mobilize the masses to formulate feasible measures to increase production, raise economic results, practice economy, and tap potential. They must stress "increasing production and practicing economy" in each and every link of production and management.

A good way to increase production and practice economy is to continuously readjust the production structure and to produce products that are in great demand on the market. We must step up market information and forecasting work and use prices, credit loans, taxes, and other economic levers to discourage production of unmarketable products and increase production of products in great demand, quality and famous-brand products, products that can be exported to earn foreign exchange, and products that support agricultural production. We must give priority to and provide favorable conditions for the production of some 100 kinds of key products that are in great market demand. We must take various measures to increase our annual power output by 700 million to 1 billion kWh, and bolster our annual coal production by 1.25 million metric tons. At the same time, we must strive to raise efficiency of consumption of electricity and other forms of energy. Tobacco, wine, cotton yarn, and plastic products are our province's important industrial products. But a serious problem facing us this year is the shortage of raw and processed materials for the production of these key products. Therefore, we must strive

to solve this problem by all means available to us. To ensure their future production, we must vigorously beef up the establishment of raw and processed materials bases.

We must stress the quality of our products. All enterprises must cultivate a keen sense of responsibility toward their customers truly stress quality above everything else, establish a strict quality responsibility system, strengthen inspection of product quality, and accelerate adoption of international standards. We must strengthen the basic construction of enterprises, stress management, upgrade production, and raise product quality in an all-round way. We must strive to develop 1,500 kinds of new products, produce 3 to 5 items that meet state standards for fine quality, 50 to 80 items that meet ministerial standards for fine quality, and some 380 items that can be rated as fine products by the province. We must strive to raise the quality of major products by 80 percent, and make 18 percent of our products meet standards for fine quality. We must pay close attention to production safety, eliminate hidden hazards, and reduce the number of accidents.

Conserving energy and reducing consumption are important contents of the campaign to increase production and practice economy. We must mobilize the vast number of staff members and workers to perfect management systems, raise technological levels, implement economic responsibility systems to reduce energy consumption, conserve electricity, and control the use of electricity for nonproductive purposes. We must earnestly implement various energy conservation measures to cut down on electricity, coal, and oil consumption. All electric stoves, boilers, and various types of industrial furnaces should be rebuilt within a certain time limit. We must cut down on enterprise management as well as workshop outlays. We must reduce material consumption for industrial production by 2.5-3 percent this year. The energy consumption rate for each 10,000 yuan of products manufactured must be reduced by 7 percent. At the same time, we must strive to make up deficits and increase profits. For major losers with annual losses of over 200,000 yuan, we must ask those in the industrial sector to cut their losses by 30 percent and those in the commercial sector by 20 percent.

Enterprises must coordinate efforts to increase production and practice economy in line with the retrenchment of expenditures. They must carry forward the spirit of building the country through thrift and hard work and running all undertakings industriously and thriftily, be careful in their accounting and strict in their budgeting, avoid waste, and be prepared to face some more difficult years. Presently, stress must be put on the "three controls." First, we must strictly control the size of administrative organs. The size of party and government organs, mass organizations, and establishments must be maintained at the current level. Further expansion in size must be resolutely curbed. Staff for newly created organs must be transferred from existing administrative units; they must generally not be transferred from grassroots units or enterprises. k The size of the staff of administrative offices must be reduced as much as possible. The number of management tiers at or below the county level must be reduced. District and township organs must be streamlined and readjusted to improve efficiency. Second, we must continue to strictly control the purchasing power of social organizations. Administrative organs should be prohibited to purchase

automobiles in excess of the authorized number. They should also be prohibited to set up "small banks" in violation of discipline. Third, we must strictly control the number of meetings and various public expenses. The leading organs at various levels, particularly leading organs at the provincial level, must set an example and lead the whole society to foster the fine atmosphere of hard struggle.

All the measures for increasing production and practicing economy must lead to an increase in revenue. We must further strengthen tax collection work, crack down on tax evasion, and promptly collect the full amount of taxes due. Reductions or exemptions of taxes must strictly follow the provisions of the tax law, and must pass normal examination and approval procedures. Such reductions or exemptions must contribute to the improvement of enterprises in terms of economic results, and to achieving management objectives. In view of the current irregularities in financial and economic work, and the problems found in general inspections of taxes, finance, and commodity prices over the past two years, we must strengthen supervision over auditing, finance, taxation, monetary, commodity pricing, and industrial and commercial work, and strictly enforce financial and economic discipline. Management of extrabudgetary funds must be strengthened. Budgetary funds must not be turned into extrabudgetary funds. The funds of the various units must be put under strict financial supervision. In planning financial expenditures, we must keep expenditures within the limits of income, undertake projects in accordance with financial capabilities, and refrain from deficit spending. Regular expenditures should be covered by regular incomes, and should not be allowed to expand freely at will. We must also clearly differentiate between the administrative and financial powers of the province, cities, and counties, affix responsibility at each level, and strive to balance revenues and expenditures for the whole province.

C. Accelerate Technical Transformation To Ensure Completion of Key Construction Projects

Since Anhui Province's economic and technical base is comparatively weak, we must concentrate on accelerating technical transformation to ensure the completion of key construction projects and build our capacity for further economic development.

First, we must curb excessive investment and readjust the investment structure in accordance with the principle of "three guarantees and three restrictions." The main area of retrenchment should be in stopping the construction of office buildings, hostels, guesthouses, and reception centers for party and government organs. The provincial government has decided to suspend the construction of the joint office building of provincial-level organizations, the grain building, and the agricultural and sideline products trading center, and to stop preparations for the construction of the Metallurgy building and the materials trading center. Construction of new guesthouses and reception centers in the various localities must not be commenced this year, and construction of unplanned projects must be suspended. Construction of tourist facilities must be carried out step by step in accordance with plans and the degree of importance and urgency. Urban construction and renovation of old cities must focus on improving infrastructural facilities, and avoid

dismantling of houses and major relocations of population. We must firmly suspend or postpone projects for the production of unmarketable products, projects which lack sufficient supply of energy and raw materials, and projects that envisage poor economic results.

To retrench on investment does not mean to stop construction but to use the limited capital for urgent construction projects and to channel extrabudgetary funds for technical transformation and key construction projects. Technical transformation is the most important driving force in strengthening our economy; therefore, unless we pay close attention to it now, we will not be able to pave the way for economic revitalization in the nineties. We should carry out technical transformation with an eye for technical advancement. As for those enterprises that have gone through transformation, they should raise their technical level and upgrade their product quality. The stress of transformation should be on improving means of inspection, renewing equipment, and innovating techniques, thus raising technological levels; it should not be placed on building offices and plants with little attention paid to increasing productivity. To better utilize imported technology, it is necessary to link it up with technical transformation and technological advancement; to facilitate operation and productivity of imported installations, it is necessary to fully carry out technical transformation of a certain number of key enterprises. This year, Anhui Province has 24 transformation projects funded by the State and 13 that have budgeted funds of 30 million yuan or more. We should work on these projects as soon as possible in order to put them into operation at an early date.

We must pay equal attention to technical transformation and construction of key projects. As for investment arrangements of local capital construction, we should guarantee the construction of agricultural and support-agriculture industrial projects, of educational facilities, and of a certain number of industrial projects of good economic benefit [jing ji xiao yi 4842 3444 2400 4135]. We have given priority to investment in such construction projects as the Bi Shi Hang [8685 0670 2635]--Chaohu lake comprehensive control, Chencundong main canal, Tongling ammonium phosphate plant, Tongling power plant, Renlou coal mine, Liuqiao No. 2 coal mine, Bengbu plate glass plant, Tunxi airport expansion, and some major road and university construction projects. Due to lack of funds in our budget, we plan to issue bonds for some local key construction projects with the approval of the state in order to ensure the completion and operation of those projects with expected benefit [xiao yi 2400 4135]. As for some large and medium-sized projects, such as the expansion, with foreign funds, of the Masnshan steel company, the integrated acrylic nitrile and acrylic fiber installation of the Anqing chemical general plant, the Gangkouwan dam, the Maanshan power plant, the Wuhu power plant, the Tongling cement mill, we should do a good job in their early-stage preparations in order to be able to start construction during the Seventh 5-Year Plan and enhance Anhui's economic potential. We must also strengthen environmental protection by enhancing "three-waste" [san fei 0005 1683] control.

D. Further Clear Circulation Channels to Better Facilitate Fund Circulation

Good fund circulation plays a tremendously important role in promoting production. It is necessary to enlarge the open circulation network, thus increasing the volume of capital flow and speed of circulation. Commercial and material supply departments should firmly promote the idea of production and service, promptly provide market information to production departments, vigorously gather raw materials urgently needed in production, enthusiastically promote the sale of marketable end products, and help production enterprises launch a campaign to increase production and practice economy; at the same time, they should channel consumption trends into the right direction. It is essential to open up rural markets for industrial products. Purchase and supply of Grain, cotton, oil-bearing crops, and other major agricultural sideline products should not be neglected at any time; production and management of vegetables, eggs, meats and other nonstaple food in urban areas should be strengthened, and production and supply of small-time commodities needed daily by the people should by no means be ignored. State-run enterprises and supply-and-marketing cooperatives should ensure the supply of essential commodities that affect the national economy and people's livelihood by setting up reasonable storage facilities and stabilizing the market.

We should attach great importance to commodity prices since they play a critical role in the overall situation of national economy and social stability. According to State Council regulations, except for some irrationally priced agricultural products, whose prices should be properly adjusted, prices of industrial consumption goods have basically remained unchanged while those of production tools have theoretically remained the same. While strengthening price supervision and inspection, we should place equal emphasis on inspecting prices of production tools and of prices of daily necessities and noncommodity items that greatly concern people's life. Illegal and arbitrary raising of commodity prices by enterprises should be curbed. It is imperative to maintain stable commodity prices in the market. To accomplish this, it takes the common efforts of price control departments as well as of the vast masses.

Banking plays an increasingly important role as the commodity economy develops. Great efforts should be made to improve the flow of capital. We should try our best to increase deposits, savings deposits in urban and rural areas in particular, install more facilities for making savings deposits, and offer a wide variety of services in this respect. It is new for banks to issue construction bonds for financial institutions and enterprises. We should strive to fulfill this heavy task, and vigorously create favorable conditions to enable enterprises to select banks and vice versa so as to make the best possible use of funds. The use of credit funds should be tightly controlled but remain flexible. They should be used to promote production, construction, and circulation, and to improve economic results. The policy of "saving first, lending later; saving more, lending more; and saving less, lending less" should be followed in handling circulating funds. Conscientious efforts should be made to implement a system of responsibility in extending loans to industrial and commercial enterprises as circulating funds, and give priority to meeting funding needs for producing and procuring readily

marketable products and foreign exchange-earning export products. Funds for procuring farm and sideline products should be guaranteed. Loans to enterprises that produce stockpiled and unmarketable products should be curtailed. Launching capital construction projects by using loans designed for technical transformation and circulating funds is not allowed; this constitutes a violation of regulations. All enterprises should gradually establish a system of using self-raised funds to supplement circulating funds, and correct the practice of leaving it to banks to handle their circulating funds. Banks should help enterprises take inventory, clean out stockpiled goods, straighten out misappropriated circulating funds, recover overdue loans, make better use of funds, and increase production with fewer loans. Regional clearing houses should be set up to reduce the need of settling accounts regarding funds in circulation, thereby speeding up capital turnover.

E. Vigorously Promote Collective Economy in Rural and Urban Areas, Increase Economic Strength

Developing a new type collective economy in urban and rural areas is a long-term and important policy. The collective sector of the economy does not need large investments from the state, offers a wide assortment of goods and services, and is flexible in terms of operation. Its coordination with the state sector of the economy helps create a multitier urban production structure which incorporates many economy elements and offers a wide assortment of goods and services, and is of importance to stimulating the economy, providing jobs, and increasing accumulated funds. We should pay great attention to speeding up the development of this new-type collective economy in rural and urban areas.

Anqing City's experience in this aspect should be popularized. Since the 3d Plenary Session of the 11th CPC Central Committee, the city has persisted in making reforms and conducting bold explorations and has developed a number of vibrant new-type collective-owned enterprises, which do not require state investments, planned allocation of goods and materials, or financial subsidies. They are independent and develop on their own. All their operations are market oriented insofar as they are permitted by state policies and decrees. They produce and deal in whatever the market needs. They have broken down the barriers between different regions, trades, and ownership systems, and have quickly developed many kinds of economic integration with good economic results.

To develop the collective economy, it is necessary to raise funds through many channels. This can be done by having older enterprises set aside a portion of their buildings, equipment, and funds for this purpose; by having several enterprises pool their funds together to start a venture; by having producers and managers themselves contribute funds to secure shares; or by pooling the efforts of capable personnel to contract for a venture and allowing them to use means of production at a fee. We should pay attention to exploiting local advantages; develop trades, products, or services that meet social needs and provide convenience to the masses; and make up for omissions and shortcomings. Intertrade operations should be encouraged, and efforts should be made to establish multipurpose conglomerations or enterprise groups.

Governments at all levels must adhere to the policy of opening up and invigorating the collective economy. We must avoid the old practice of setting up a department to control production and management of enterprises, and making the latter completely subject to the control of an administrative department whenever the issue of strengthening management crops up. Administrative departments must fully respect the autonomy of collective enterprises. Provided state policies and laws are not violated, the enterprise has full authority over what management style it practices, how it hires cadres, and what distribution system it adopts. No department, unit, or individual is allowed to seize at will the fixed assets of a collective enterprise, indiscriminately transfer its funds, or otherwise encroach upon its legitimate interests. In administering collective enterprises, government organs should concentrate on providing service. They should create conditions and pave the way for the development of the collective economy by way of formulating policies and plans and by providing organizational support and other services. Banking, taxation, and pricing departments should provide essential support to collective enterprises in accordance with policies. Collective enterprises must also gradually improve their management systems and set up a rational accumulation system. We must work hard for years in order to achieve greater growth of the collective economy in the urban areas of our province.

F. Persistently Open Up to the Outside World and Work Hard to Increase Foreign Exchange Earnings Through Export

Opening up to the outside world is our firm, established policy. We must promote our province's economic and technical cooperation with the outside world by expanding export and increasing foreign exchange earnings. Over the years the state has allowed enterprises to retain a percentage of their foreign exchange earnings, awarded export and foreign trade enterprises, and adopted other policies to arouse the enthusiasm of all export sectors. We must continue to earnestly implement these policies. The sharing of foreign exchange earnings must be implemented, and we must not allow anyone to pocket or hold back portions of foreign exchange earnings that should go to enterprises. This year, a system of contracted managerial responsibility for exports will be introduced among specialized foreign trade companies, in view of this new situation, we must work hard to improve the export commodity mix, actively develop export of machinery and electrical products while increasing the export of agricultural and light and textile industrial products, develop intensive processing, improve packaging, strengthen economic accounting, strive to reduce production waste and circulation expenses, and lower the cost of exports. We should set up and consolidate an integrated system for the production of export commodities in a planned way and according to administrative levels, strengthen and improve export marketing work, and actively exploit the world market. We must keep in mind that we must increase our capacity to earn foreign exchange when we use foreign funds or import technology. We should undertake more contract projects abroad and provide more cooperative labor services to other countries. We should expand our tourist facilities, improve tourist services, and improve the supply of tourist commodities to attract more tourists and increase nontrade foreign exchange revenues.

Our province is short of foreign exchange, and we must rationally and economically use the available foreign exchange. In importing, top priority should be given to raw and semifinished materials, advanced technology, and key equipment urgently needed for industrial and agricultural production. We must exercise strict control over the import of ordinary commodities, especially curable consumer products. It is necessary to reinforce foreign exchange management and improve redistribution of foreign exchange. This year our province begins to pay back its foreign loans as well as interest; the relevant departments must take this work seriously. From now on, we must emphasize the benefits of using foreign funds and take into full consideration our ability to repay them. While expanding economic and technical exchanges with the outside world, we should expand friendly exchanges with people around the world, publicize Anhui, promote friendship, and serve economic construction in a better way.

G. Deepen Reform and Further Increase the Vitality of Enterprises

Reform is one of the important guarantees for successfully carrying out the "double increase and double economy" campaign and all other economic work. We must meet the requirements for developing our planned commodity economy based on socialist public ownership, and coordinate and promote reforms designed to invigorate enterprises and perfect the market system and the system of macroeconomic control.

The central link to be grasped in the reform of the economic structure this year is to deepen enterprise reform and increase the vitality of enterprises, especially large and medium-sized state enterprises. It is now necessary to combine the extensive development of the campaign to increase production and practice economy and increase revenues and retrench expenditures with the deepening of reform and to gradually institute various forms of the contracted responsibility system in business operations. Conscientious efforts should be made to implement the State Council "Regulations on the Deepening of Enterprise Reform and the Increase of Enterprise Vitality" and to seek management methods suited to the characteristics of different enterprises and improve their managerial mechanisms according to the principles of combining responsibilities, powers, and interests, and separating ownership from managerial authority in order to tap their potentials. Small, low-profit, or loss-incurring state enterprises should continue to be leased or contracted out. In large and medium-sized state enterprises, various forms of the contracted responsibility system may be instituted in profit, input, and output; they may also institute a system under which they are to be held responsible for their own profits or losses after delivering a certain amount of profit to the state. Some small collective enterprises in various localities may be selected to continue trying out the stock system. Efforts should be made to speed up the reform of the enterprise leadership system and to practice in an all-round way the system of full responsibility for factory directors (or managers). We should institute a system under which the factory director (or manager) is held responsible for the attainment of certain objectives during his tenure and under which the performance of the enterprise is subject to auditing supervision at the expiration of the director's term. The income of a factory director who has attained his annual objectives may be 100 to 300 percent higher than the average income of a worker; however, when a

factory director fails to attain his annual objectives, his income will be reduced. The principle of distribution according to work should be accurately implemented. Enterprises have the right to adopt different forms of distribution according to their different conditions and in the light of the total amount of wages and the scope of policy laid down by the state. Further efforts should be made to reform the labor system. From now on, all state enterprises should recruit workers and sign labor contracts with all of them. At the same time, it is necessary to establish an insurance system for former employees waiting for new jobs and gradually introduce a system of pooling retirement pensions for employees on a provincial, city, or county basis. It is essential to protect the legitimate rights and interests of enterprises, resolutely delegate to enterprises those powers withheld by intermediate links, and forbid the unjustifiable allocation to enterprises of financial and other quotas, especially the shift of the responsibility of retrenching expenditures. Continued efforts should be made to check on and reorganize administrative companies and to strengthen enterprise management.

It is necessary to continuously develop lateral economic ties. It is enterprises that form such ties. No department should interfere in an enterprise's power to form lateral economic ties with other enterprises.

Vigorous efforts should be made to develop enterprise groups or associations. Attention should be paid to establishing lateral economic ties with enterprises under ministries of the central government and with military industrial enterprises and to developing and improving related products.

While continuing cooperation in funding and materials, enterprises should also cooperate with each other technologically and in the exchange of qualified personnel, take in more "software," and improve the functions, quality, and grading of our province's products. We should vigorously promote economic ties and cooperation between scientific research institutes and production units and encourage personnel of institutions of higher learning and scientific research and designing units to join enterprise associations in order to increase the ability of such associations in scientific and technological development. We should consolidate and expand economic ties between regions and promote cooperation in specialized production. We should attach importance to the role played by major cities and accelerate the development of economic ties between urban and rural areas. We should expand cooperation between our province and other provinces at various levels, in various fields, and through various channels and make full use of our natural resources. One product can be exchanged for another, instead of selling it at a negotiated price, in order to support production and make the market brisk.

It is necessary to deepen the reform of the financial structure. We should improve macro-regulatory means to develop and expand money market. Guidance and supervision of the short-term money market should be strengthened. Also, we should try to do the following: actively develop various financial institutions; effectively use the many different channels of capital flow; run bond markets and engage in foreign exchange transactions on a trial basis; open up mortgage loan and leasing businesses; continuously promote bill discounts business, and modernize loan operations; ensure that specialized banks are run as enterprises, and that more power is delegated to local banking institutions; reform urban and rural cooperatives; and vigorously promote insurance services in both urban and rural areas.

It is necessary to further expand the capital goods market. With the central government's approval, our province will set up rolled steel markets in four key cities to absorb steel produced by steel plants and overstocked steel in society. To create a favorable environment for enterprises to vitalize their operations, our province is also planning to gradually set up such major coal, lumber, and cement capital goods markets.

We should, on the basis of continuously conducting tests at selected units, promote comprehensive urban reform, consolidate and broaden the results of county-level economic structural reform, thoroughly sum up experience, and constantly deepen various reforms in the province.

3. Further Strengthen the Building of Socialist Spiritual Civilization, Consolidate and Develop Political Stability and Unity

We should strengthen the building of socialist spiritual civilization under the guidance of the four cardinal principles. Developing socialist democracy, perfecting the socialist legal system, and consolidating and developing political stability and unity are prerequisites and guarantees for reform, opening to the outside world, invigorating the domestic economy, and proceeding with the present work.

A. Adhere to the Four Cardinal Principles, and Launch a Struggle Against Bourgeois Liberalization

Written into the Constitution of our country, the four cardinal principles provide the guiding principle for the unity and concerted struggle of the people of all our nationalities. In essence, exponents of bourgeois liberalization are trying to break away from the leadership of the Communist Party and to negate the socialist system in favor of capitalism. The present struggle against bourgeois liberalization has an important bearing on the continued and correct implementation of the line, principle, and policy that have been in force since the 3d Plenary Session of the 11th CPC Central Committee and on the future and destiny of our party, country, and socialism. After several months of work, we have achieved initial results in this struggle. Marked changes in political and ideological fields have been noted of late. The once-widespread thought of bourgeois liberalization was curbed. Combating bourgeois liberalization in the course of reform and opening to the Outside work, however, is a long-term struggle. We must clearheadedly and fully recognize the difficult and long-term nature of this struggle; and under the leadership of the party, take a firm and clear-cut stand to continue the struggle in a healthy way.

We should further study the line, principle, and policy adopted since the 3d Plenary Session of the 11th CPC Central Committee, and thoroughly study Comrade Deng Xiaoping's "Build Socialism With Chinese Characteristics" (Enlarged Edition) and "Uphold the Four Cardinal Principles and Oppose Bourgeois Liberalization." When studying them, we should link them with the present political and ideological situation, criticize erroneous views and statements that run counter to the four cardinal principles, persist in our socialist orientation, and persevere in reform, opening to the outside world, and invigoration of the domestic economy. We should also greatly spread the

"Decision on Strengthening Legal Education and Maintaining Stability and Unity" adopted by the NPC Standing Committee, conduct education of legal system with emphasis on the Constitution among the people, and arm the masses with the knowledge of the Constitution and law. Consolidation of press and publications should be further proceeded so as to strengthen steadiness and increase efficiency of political and ideological work. We should further consolidate the media front, fortify the rank of party workers spreading Marxism, and organize and lead college students to take part in social practice, enabling them to raise their ideological consciousness and steer them toward the correct political orientation through direct contact with the masses and society.

The struggle against bourgeois liberalization will be strictly confined within the Chinese Communist Party and conducted chiefly in the political-ideological domain. It will not be conducted in rural areas, and in enterprises and institutions there will only be education by positive examples. It will emphasize solving problems of basic political principles and orientation and will not concern itself with policies of economic reform, rural policies, scientific and technological research, exploration of literary and artistic styles and techniques, or the everyday life of the people. The basic policy of reform and opening to the outside world will remain unchanged in the struggle against bourgeois liberalization. We should continuously encourage the free airing of views, open up normal, regular and diverse forms of dialogue channels, and welcome the masses' criticism of deficiencies and mistakes in our work; suppression of the masses' views in the name of opposing bourgeois liberalization will not be permitted.

B. Use Common Ideals to Unite the People of the Province and Promote Good Social Conduct

We should seriously implement the "Resolution of the CPC Central Committee on the Guiding Principles for Building Socialist Spiritual Civilization," conduct education on patriotism, socialism, revolutionary tradition and revolutionary heroism among the people, and foster the spirit of revolutionary ideals, pioneering, and self-sacrifice in their minds. Let us create a strong public opinion to produce a better social environment so as to accelerate the pace of developing Anhui and the four modernizations. Ideological and political work on various fronts, particularly in schools, should be solidly strengthened and improved. Members in society ought to care for the healthy growth of youngsters and seek to cultivate a new generation of people with "ideals, morality, culture and discipline."

The socialist ethics with its calls for the love of motherland, people, labor, science, and socialism should be greatly promoted, allowing it to permeate all walks of life and every public domain. People in commercial enterprises, government organs, and schools should cherish good workstyles and help foster a social trend marked by civility, common courtesy, orderliness in public places, love of public property, and protection of environment. We should emphasize education on professional ethics. All trades, particularly commercial, service, transport, power, public health sectors and city offices which have daily direct contacts with the masses, should abide by the motto to "serve and be responsible to the people." They should gradually establish and

perfect rules on professional ethics, vigorously combat unhealthy practices, and offer quality services. Governments at all levels and leading cadres should also set exemplary roles in the course of shaping the good socialist social conduct.

In social life, we should develop a new type of interpersonnel relationship that promotes unity, mutual help, equality and fraternity. We should give good care to the children, show respect to women, old people, families of revolutionary martyrs and service men, as well as show concern for handicapped people. Civilized, healthy and scientific way of lifestyle should be greatly promoted. Activities to eliminate feudalistic superstitions and to change prevailing habits and customs should be launched. We should encourage hard struggle and plain living, but discourage extravagance and oppose ignorance and backwardness. In rural areas, particular efforts should be made to reform unhealthy old rules and habits in weddings, funerals, house building and other activities. We should propagandize the merits of free choice in marriage and the importance of industriousness and thrift in managing households. Simple weddings and funerals should be encouraged. The establishment of mass organizations in villages such as "coordination committee for wedding and funeral ceremonies" should be encouraged. Activities to set up civilized villages should be sponsored. In addition, we should further cement unity between the army and the government and between the army and the people. Let us do a good job supporting the army and giving preferential treatment to the families of the service men; and let us launch the activities of the joint armymen-people building of spiritual civilization to greet the 60th anniversary of the Army Day.

C. Actively Develop Education, Science and Technology, Art, and Public Health, and Strictly Control Population Growth

We should give strategic importance to the development of education. In 1987 while every other expenditure was reduced by a fairly big margin, the proportion of the province's educational expenses in the total provincial expenditures has increased from 21.9 percent last year to 22.9 percent this year. The proportion of educational investment in the province's overall capital construction investment has also increased from last year's 9.7 percent to 13.6 percent. We should try to raise funds from many sources, increase educational investment, and improve the educational conditions. At the same time, we should promote the spirit of plain living and hard working, operate schools industriously and thriftily, and efficiently use educational funds to improve their returns. We will sternly deal with people who use educational funds for other purposes. This year we should emphasize repairing dangerous school buildings and preventing their collapse and strive to realize the goal of eliminating all dangerous conditions and providing classrooms and furniture for all students in 1 or 2 years. The educational front should have a correct idea to guide school operations, and it should implement the party's educational policy in an all-round way in order to enable the students to develop morally, intellectually, physically, and artistically and to become qualified people for socialist modernization. We should continue to deepen reform in the educational field and strive to improve the quality of education. Institutions of higher learning should further readjust the fields of study, continue to reform the systems of student enrollment and graduates'

work assignment, and establish a good order for teaching, school management, and campus living. Regarding primary and middle schools, we should continue to reform the management system for basic education and seriously reverse the trend of putting undue emphasis on the proportion of students entering schools of a higher grade. Regarding the 9-year compulsory education, we should enforce it gradually according to local economic conditions, set up schools for different grade levels, and manage and operate them accordingly. We should vigorously develop vocational technical education, improve its quality, and give particular emphasis to its development in the countryside. We should continue to straighten things out in adult education, bring the relations between the various sectors into better balance, and raise the educational quality and social benefits [she hui xiao yi 4357 2585 0509 4135]. We should give due emphasis to preschool education. We should adopt effective measures to train primary and middle school teachers and to strengthen the building of the teaching ranks.

We should continue to push forward reform of the scientific and technological structures. This year we should take further steps to relax control in two areas. First we should relax control of research institutes, which should institute the director responsibility system and develop lateral ties in various forms. Second, we should relax control of scientific and technological personnel to encourage them to undertake contract work and to go to the countryside, the old revolutionary base areas, and poverty-stricken regions to help the people develop the economy. We should seriously organize and implement the research projects incorporated in the Seventh 5-Year Plan and the "Spark Plan," give strong emphasis to the popularization and application of research results, and pay special attention to exploring the technology market. We should vigorously strengthen rural structure for developing science and technology in the rural area.

We should further develop culture, public health, physical culture, radio and television, motion picture, journalism, publications, and other undertakings. In cultural work, we should uphold the orientation of "serving the people and socialism," speed up reform, create high standard art works with Anhui's characteristics, launch mass cultural activities in variety of forms and ways, strengthen the management of cultural market, and strive to make socialist culture prosper. To promote the development of public health, we should adhere to the policy of pooling the efforts of the state, the collective, and the individual. We should bring about the integration of urban and rural areas in public health and give the countryside special emphasis. We should neither exercise too much control nor give too much freedom. We should combine prevention with treatment. We should continue to consolidate the rural medical and health network at the three levels and strengthen the building of county hospitals. Urban medical and health units should actively develop lateral cooperation to further ameliorate the situation in outpatient and inpatient medical care, and they work hard to raise their medical standards and improve service. We should develop traditional Chinese medicine, vigorously launch the patriotic health movement and the mass campaign of eliminating pests to prevent the spread of diseases. We should strive to eliminate rats, step up the improvement of water in the countryside, and do a good job of preventing and curing endemic, contagious, and serious chronic diseases. In physical culture, we should give particular emphasis to

the reform of training and competition systems, vigorously launch mass sports activities, discover and train outstanding athletes, carry out the training of professional athletes, and strive to achieve good results at the Sixth National Games. We should implement the party's policies on radio and television, motion picture, journalism, and publications, strictly abide by propaganda discipline, take social benefits [she hui xiao yi 4357 2585 0509 4135] as the highest criteria, and provide the masses of people with more and better spiritual food.

To respect knowledge and talented people is a key to Anhui's development. We should further implement the policies for intellectuals, arouse the enthusiasm of people of all specialties, and bring their wisdom and talents into full play. We should adhere to a principle of training, discovering and hiring from outside simultaneously in order to build a contingent of qualified personnel for the four modernizations soon. We should actively and properly promote the work of hiring specialized personnel in all fields step by step according to plan, and encourage the rational transfer of specialized personnel.

During the Seventh 5-Year Plan, the number of young people reaching a marriageable and child-bearing age will be at a peak. We must attach even greater importance to family planning work and promote it unremittingly. We should continue to advocate later marriage, later child-birth, and fewer but better births. We should advocate one child for each couple. If a couple needs a second child, the authorities may give them permission according to provisions under current policies. It is strictly prohibited for couples to have a second child or even more without prior approval from the authorities. The birth rate should be kept under 18.6 per thousand, while the natural population growth rate should be kept under 12.4 per thousand in the province this year.

D. Strengthen Socialist Democracy and Improve Socialist Legal System

To establish a high degree of socialist democracy is one of the great objectives of the socialist modernization program. We should energetically promote the democratization of political life, economic management and the life of the whole society. We should enhance the sense of democracy, citizen's duties and the legal system among the cadres at all levels and among the people. At present, we should make efforts to help the people and youth correctly understand the relationship between socialist democracy and the legal system, clarify some confused ideas and wrong viewpoints over the question of democracy, distinguish socialist democracy from bourgeois democracy, anarchism and bourgeois liberalism, and consolidate and enhance the political situation of stability and unity. Local governments at all levels should work in accordance with the provisions of the organic law of local governments, implement the resolutions and decisions of the people's congresses and their standing committees, deliver work reports to them timely, accept their supervision, and seriously handle the proposals made by the people's congresses, the people's deputies, and the CPPCC Committee Members. Leading cadres at all levels should uphold democratic centralism, display a democratic workstyle, and attach importance to the letters the people send in and the complaints they make when they call. Leading cadres should take full

advantage of the advice offered by consultants, staff members, experts and scholars, and strive to promote a scientific and democratic process of policy-making. We should further improve the democratic system at the grassroots level and firmly ensure full democratic rights for the people according to the Constitution and other laws.

Improving the socialist legal system is an important guarantee for the smooth processing of all constructive undertakings. We should continue to carry out a thorough education to spread legal knowledge this year, and gradually make all citizens adopt a notion of abiding by the law and discipline and acting according to law, so that all organizations and individuals act within the framework of the constitution and other laws, conscientiously protect the dignity of the Constitution and laws and ensure their implementation. The governments at all levels and their functional departments should use legal means to strengthen their supervision and management of the economic work and readjust various relations in social life and economic life. The governments at all levels should strengthen their guidance, education, inspection and supervision of law-enforcement departments and personnel at all levels to ensure that the law is strictly enforced, law violators are duly dealt with, and all are equal under law. It is necessary to bring into full play the role of the organs of dictatorship, punish serious criminals, including serious economic criminals, rapidly and severely according to law, and ban according to law such crimes as prostitution, drug-taking, gambling, and selling pornographic videotapes and books. It is necessary to step up the overall improvement of public security, improve the work of mediating disputes among the people, and bring about a steady improvement of public order. It is necessary to strengthen the grassroots rural governments, further separate the functions of party organizations from those of governments and separate government functions from business management, firmly do a good job in strengthening township governments, and ensure a good work done by the villagers' committees.

Deputies:

In order to effectively carry out this year's two major tasks, the governments at all levels in the province should further improve their work, adhere to the fundamental purpose of serving the people wholeheartedly, and strive to raise the government work to a higher level. It is necessary to streamline administration and institute decentralization, and gradually shift government management of economy from direct control to indirect control and from a high degree of centralism to policy-making, responsibility and restraint at all levels. We should adopt effective measures to overcome overstaffing, dilatoriness, and the bureaucratic practice of shifting responsibility onto others. We should resolutely correct the unhealthy tendencies of abusing one's power to seek private gains, giving dinner parties and gifts, indulging in extravagance and waste, committing fraud, and seeking special privileges. We should reduce meetings and documents, go deep into the realities of life, conduct investigations and studies, improve the system of responsibility for office cadres, strive to improve workstyle and enhance working efficiency. Government personnel at all levels should observe discipline, take the lead in abiding by the law, have contacts with the masses, work impartially and

honestly, be industrious and frugal, and be willing public servants of the people.

Deputies:

Our tasks are glorious and arduous. The Fifth Session of the Sixth NPC held not long ago arranged the work in all fields of our country. We must follow the orientation pointed out by the NPC session, seek truth from facts, make bold explorations, actively forge ahead, and work in a down-to-earth way. We must work under the leadership of the party Central committee, the State Council and the Provincial Party Committee, and rely on the unity, wisdom and strength of the people of various nationalities in the province to overcome difficulties ahead and win new victories in reform and construction.

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CSO: 4006/827

PRC PAPER ON MONEY SUPPLY, RESTRAINING DEMAND

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[Article by Min Su (7036 3936) and Ya Ping (0068 1627): "Restraining Demand Should Proceed From Readjusting and Controlling the Money Supply"]

[Text] In the past year our country has scored new achievements in economic construction, economic reform and opening up. But how to understand and overcome the contradiction of overall social demand exceeding overall supply is a question that calls for an immediate answer.

Overall Social Demand Still Exceeds Overall Social Supply

At present, our overall social demand still exceeds overall supply. This is mainly expressed in the following several respects:

1. An increase in investments in fixed assets has not been brought under effective control. Investments in fixed assets in 1986 increased by 16.7 percent from the preceding year, lower than an increase of 38.7 percent the year earlier. But it must be noted that first, it greatly exceeded the growth rate of industrial production for the year. Second, on the basis of a high 1985 base for investment in fixed assets, the 1986 growth rate was obviously now low. Third, real 1986 investments far exceeded figures within limits based on annual plans. Fourth, investments in the 1986 budget were reduced (which could be easily brought about). But this brought potential difficulties in restructuring because investments in the budget were mainly allocated to important state construction projects in an effort to readjust the irrational industrial structure. Fifth, what is extremely important is that there have so far been no effective measures to control and guide extra-budgetary investments. Strictly speaking, the main result of excessive investments in fixed assets is eateries and restaurants mushrooming everywhere and small and large enterprises competing for funds and for raw materials, causing a shortage of funds for important construction projects, a tight supply of raw materials and the exacerbation of contradictions. Despite increased investments by the state in energy, raw material and the communications and transportation sectors, the needs of newly added capital construction projects still cannot be satisfied.

2. There is still a continuous increase in consumption funds. Total wages in 1986 reached 166 billion yuan, an increase of 20 percent from the preceding

year, which exceeded a 7.4 percent increase in national income and a 4 percent increase in labor productivity. Since an effective mechanism for enterprise operations has yet to be found, enterprises exercised no self-restraint in using their own funds. Welfare and bonus funds accounted for a large part of their retained profits. The consumption funds of some enterprises committed to contract and rental operations doubled. In the fourth quarter of last year there was a "scramble to buy things" on the market. This reflects in a way too strong a demand.

3. An inadequacy in the mix of supplies appeared. As far as supplies for production purposes are concerned, supplies in energy, raw materials and transportation sectors are seriously inadequate. These have constituted three major factors restraining industrial production. It is unlikely that there will be a fundamental turn for the better in the immediate future. There are inadequate market supplies for consumption in good-quality brandname articles, high-grade durables and other consumer goods. Related to swelling consumption funds are such factors as a sharp increase in urban and rural residents' monetary income, higher grades at the consumption level, our exceeding the actual level of development of productivity, the formation of a consumption demand that comes far ahead of time, and a product mix which is hardly able to satisfy demand. These, combined with a shortage of foreign exchange and a reduction in imported household electrical appliances, caused residents to save their money and wait for a chance to make purchases, with surplus purchasing power reaching more than 330 billion yuan--putting tremendous pressure on the market and potential upward pressure on commodity prices.

The Main Channels Responsible for Excessive Demand and Its Causes

An excess of overall social demand over overall social supply is the accumulated result of the total supply of money in recent years exceeding distribution with an irrational structure. [as published]

First, the budget showed an imbalance, with a big increase in the deficit. Since 1979, given a great strain on financial resources, state revenues have gone to support reform, opening up and economic construction, through various measures. But a review of the course followed in these few years shows that simultaneously with the enlargement of decision-making power for areas, enterprises, and units, there was on the contrary an ever growing practice of financially sharing equally in the big rice pot. Concessions, such as repayment of debts before taxes, tax reductions and exemptions, discounting bills, subsidies for losses, and various financial allowances, covered a wide range under various names and ran counter to the original intent of various policy stipulations. On the one hand, the declining economic results of enterprises had a direct effect on revenues. On the other, the arbitrary distribution of funds in a pre-emptive manner, coupled with a random increase in spending, gave rise to a passive situation of expenditures exceeding receipts. Apart from a slight budget surplus of 2 billion yuan in 1985 due to shock measures to stop the use of foreign exchange for imports on a large scale and a massive investigation in matters of finance and taxes, the accumulative total of deficits in various years was equivalent to one-fourth of a year's revenues. A more serious problem is that an excessive supply of money has resulted in an inflated demand.

Second, there was a sharp increase in bank loans with too much money in supply. Apart from the use of surpluses from previous years and the issuance of state treasury bonds, deficits in recent years were partially made up for by bank overdrafts and loans. At the start of the economic reform banks took on the additional function of allocating investments in fixed assets. Meanwhile, the potential problem of an enduring source of long-term loan funds not being brought in line remained. Due to the ill-defined functions of the government at various levels in matters of economic management, banks were forced to "take orders granting loans." Loans for development purposes increased rapidly. With the introduction of the practice of using all liquid funds for credit purposes, the banks fought at the same time on two fronts (fixed assets and liquid funds). The problem of the sources of funds being long inadequate assumed ever serious proportions. This, coupled with the reform of banks, which were run along enterprise lines with loans linked to individual interests, at last made for the random granting of loans in 1984 and the issuance of promissory notes in a way incompatible with normal financial practices. In the last few years the problem could hardly be alleviated. Given a sharp increase in the money supply in recent years, inflated demand was further stimulated.

Third, spontaneous extra-budgetary investment was excessive. This was marked by the chasing immediate profits in a scattered way, and was the main cause of an imbalanced national economic composition and an unlimited investment demand. Of the investments in capital construction market by ownership by all the people, the proportion represented by extra-budgetary investment rose from 20 percent in 1979 to 60.8 percent in 1985.

Fourth, there was a sharp increase in consumption not properly entered into account books. A rather large number of enterprises and institutions through various means and channels, such as claimed payments for meeting-related expenses and business trip expenses, claimed surpluses in running mess halls, and so forth, handed out to workers non-staple food, consumer goods of everyday use and even durables, stimulating their consumption appetite and corrupting them ideologically. This reflected on the image of reform and also adversely affected economic results.

We believe that there are two main causes of an excessive demand and the gates being thrown open for the money supply: 1) There is no guiding thought in economic construction in a rush to seek "a doubling or tripling" ahead of time, with the national resources' capacity for absorption overlooked. 2) In reform, there is lack of coordination as a whole and mutual coordination, causing the neutralization of interaction between economic levers and even bringing about negative effects in regulation. Meanwhile, the call for delegating power was not accompanied by the proper surrender of power and with various effective means of management.

How to Regulate and Control the Money Supply

There are two ways to solve the problem of demand exceeding supply: Increasing supply or suppressing demand. But an increase in supply involves a relatively long cycle with slow results, while obvious results can be achieved in a short period of time through regulating and controlling the money supply.

First, based on reality, we must look squarely at new changes resulting from the economic reform in the distribution of financial resources. This forms the basis and a prerequisite for the regulation and control of the money supply. It is mainly expressed in there being more of something and less of something, as in the following four cases: 1) In the distribution of national income there is more money for initial distribution and less for redistribution. 2) In redistribution there is more money allotted to banks and less to revenue [of the state]. 3) There is more extra-budgetary money and less included in the budget. 4) There are more regional revenues and less central revenues, but with no appropriate reduction in outlays. Therefore, the central budget was in the red from year to year, with the central authorities compelled to turn to regions for loans.

Second, simultaneously with an effort to increase revenues we should focus on controlling and regulating spending. In the matter of revenues, we must gradually raise the portion that revenues account for in national income. On the basis of understanding power in handling matters, we must appropriately raise the portion of central revenues in national revenues. Meanwhile, we must foster the reputation of the state, strictly observe tax laws, and change the method of repaying debts before taxes. As far as expenditures are concerned, to ensure a rational national economic composition and raise the level of an economy of a modern size, we should develop such features as a concentration of monetary investments with a large amount involved and freedom from the pursuit of a department's own interests. Without abandoning investments in profit-making productive enterprises where central revenues are concerned, we should increase investments in energy, raw materials and transportation, in order to readjust the imbalance in the industrial structure. Where local revenues are concerned, attention should focus on building fundamental public facilities with the least possible involvement in productive investments, in order to realistically solve the problem of excessive investments and blind construction.

Third, in rearranging the distribution of credit, we should focus on tightening credit where investments in fixed assets are concerned. Concerning the source of credit funds, we must strictly control the input of money and reduce bond money issues exerting the greatest effort to stabilize the market and suppress an increase in commodity prices. Where a relatively great imbalance involving revenues occur, banks should be responsible for actively making up the deficit and appropriately reducing the size of credits. In granting loans, we must as quickly as possible readjust the order in distribution, placing production ahead of capital construction and first ensuring the supply of liquid funds before getting involved with loans for fixed assets. We must readjust the ratio between loans in liquid funds and loans for fixed assets, raising the former and lowering the latter. Given an ill-defined boundary between technical transformation and capital construction at present and a situation in which banks are hardly able to control loans for investment purposes, these loans should be brought under proper control and be granted by construction banks in a unified manner. Industrial and commercial banks (including agricultural banks, and others) should gradually pull out of the area involving investments in fixed assets.

Fourth, financial organizations and banks should have a clear division of work and act together in watching over the main gate where the supply (distribution) of money is concerned. Based on the actual conditions of our country, financial organizations should focus on money distribution and banks on providing money to help people meet their needs. With the State Council or the State Planning Commission committed to coordination, they should make joint efforts in strengthening a comprehensive balance between two major policies on financial and monetary matters and strengthening their tremendous role in bringing about steady economic growth in their interaction. At present, we must suppress as quickly as possible the "craze for issuing bonds," to avoid a new increase in investments in fixed assets and in consumption funds. It is understood that a viewpoint prevails in society that "given a shortage of funds, we may turn to the bank, which may in turn issue bonds to meet its own needs." It should be noted that where the overall credit plan is concerned, with money in short supply, the banks should also feel the pinch. Therefore, financial organizations and banks should cooperate in changing the present method of issuing state treasury bonds and taking care of the bond market properly. Meanwhile, they should jointly design a financial system and a banking system and reform measures compatible with the economic system, and establish a new pattern for relations between financial organizations and banks, given a planned commodity economy.

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CSO: 4006/825

SHAANXI REFORMS FINANCIAL EXPENDITURES SETUP

HK140801 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 10 July 87

[Excerpt] The effort made by our province to reform the management of financial expenditure ahead of other provinces in the country has been taken seriously and supported by the Ministry of Finance. The reform is mainly aimed at loaning funds with interest for production and enterprise development in place of free financial allocation so as to turn dead money into live money and raise the efficiency of funds for production.

Loaning funds for production and enterprise development and charging interest is a major reform measure adopted by the Provincial Party Committee and Government in line with the actual conditions in our province in an effort to meet the needs of introducing the system of eating from different pots in national financial expenditures and seek new ways of managing money matters. To this end, last year the provincial government approved the establishment of the Shaanxi Provincial Administration for Production Funds, and branches have been set up in 10 prefectures and cities and 88 counties throughout the province, which are specially responsible for the work of loaning, with interest, funds for production and enterprise development appropriated from the annual financial budget at various levels.

Over the past year, these organizations in charge of management of production funds at various levels have, with their pioneering efforts, made many achievements in improving the organizational structure, establishing rules and regulations, supporting production and invigorating the economy. Last year the amount of funds loaned with interest for production in the province exceeded 340 million yuan with 530 production and enterprise development projects benefited.

Through more than a years' efforts since the reform of financial expenditure setup was introduced, initial results are 1) The practice of eating from one big pot in management of budgeted expenditures covered by local governments has been sanctioned and production funds have been enlivened. 2) The units contracting a loan have learned how to make proper use of funds and pay attention to the results of funds instead of carelessly spending money and ignoring economic results as in the past. 3) Financial resources have been developed and funds for expanded production increased.

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XINJIANG LEADER ON TOWNSHIP, TOWN ENTERPRISES

HK091536 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 8 Jul 87

[Excerpts] Tomus Dawamat, chairman of the Xinjiang autonomous regional government, noted [in his 6 July report] at the [second] regional work conference on township and town enterprises: The key to strengthening the vitality of our region's township and town enterprises lies in upholding reform and improving relations. To promote reform of our township and town enterprises, we must first conduct successful reform of management systems and strengthen industrial management; we must then successfully conduct internal reform among our enterprises, and enable our enterprises to fully enjoy the right to make decisions on production and operating activities, the right to control buying and selling activities, the right to recruit or dismiss staff members and workers, and the right to arrange and use funds.

Chairman Tomur Dawamat said: In carrying out both ideological and professional work, all trades and professions must treat the development of township and town enterprises and the development of state-operated, second industrial enterprises equally and impartially.

Chairman Tomur Dawamat said: Township and town enterprises should further perfect the contracted management responsibility system on the principle of democratic management. Generally speaking, township and town enterprises should implement the collective contracted responsibility system and the system in which the factory director or manager takes responsibility for achieving fixed goals during his term of office.

Chairman Tomur Dawamat said: Township and town enterprises should also actively conduct experiments in and popularize the stock system, implement the system of factory director's responsibility under the leadership of the board of directors, and conscientiously solve problems arising from the integration of government administration with the enterprise. Leaders of our townships and towns must not arbitrarily intervene in the production and operating activities of enterprises through administrative means, nor must they arbitrarily transfer the funds, products, goods, and materials belonging to enterprises.

Chairman Tomur Dawamat noted: Development funds for our region's township and town enterprises should be raised through different channels.

He added: Regarding development funds for township and town enterprises, it is imperative to tap the potential of local funds in the following four aspects: First, we should learn from the experiences gained in Miqan and Jinghe counties, and actively mobilize our peasants and herdsmen to raise funds for establishing enterprises and becoming shareholders; Second, we should fully tap the potential of funds within enterprises. Depreciation funds for enterprises, and our enterprises' income from reduction or remission of taxes, should be primarily spent on promoting technical renovation and transformation, as well as reproduction on an extended scale. Enterprises should spend most of their after-tax profits on promoting reproduction on an extended scale. Administrative departments should spend half of the profits turned over to them by enterprises on the development of township and town enterprises. Third, we should tap the potential of collective accumulation. Parts of accumulation funds belonging to collective economic [words indistinct] as well as parts of livestock (?trade-in allowance) can be spent on developing production and enterprises. Fourth, we should tap the potential of local social funds. We should learn from the (Pamier) woollen mill in Kizilsu Kirgiz autonomous prefecture, and mobilize all social forces to raise funds.

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BRIEFS

HUBEI OUTPUT VALUE INCREASES--During the first half of this year, output value produced by Hubei Province's township and town enterprises reached 8.99 billion yuan, an increase of 32.8 percent as compared with the same period last year; and profits and taxes produced by the province's township and town enterprises totaled nearly 900 million yuan, an increase of 15 percent as compared with the same period last year. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1000 GMT 6 Jul 87 HK] /12913

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HUNAN, SHANGHAI LEADERS DISCUSS ECONOMIC TIES

HK040253 Changsha Hunan Provincial Service in Mandarin 0000 GMT 4 Jul 87

[Excerpts] Yesterday morning, Governor Xiong Qingquan met the Shanghai government economic and technological cooperation headed by Vice Mayor Ye Gongqi which is now visiting Hunan, and had talks with them on further consolidating and developing economic and technological cooperation between Hunan and Shanghai.

Xiong Qingquan said: cooperation between Hunan and Shanghai has developed greatly in recent years, and both sides have benefitted from it. A total of 345 projects have been discussed, and 263 are now being implemented, representing a success rate of 78 percent, the highest success rate for cooperation projects between Hunan and any province and municipality. One vital reason for this success is that the Shanghai municipal government and the departments in charge have cooperated closely.

Xiong Qingquan said: The Hunan government attaches great importance to cooperation with Shanghai. We need Shanghai's support, technology, and economic window. We sincerely welcome departments, trades, and enterprises in Shanghai to establish long-term and stable cooperative ties with Hunan in many fields, at many levels, and in many forms.

Shanghai vice mayor Ye Gongqi briefed the Hunan participants in the discussion on social and economic developments in the municipality in the past 2 years.

Hunan vice governor Yu Haichao and responsible persons of provincial departments and bureaus concerned attended the talks. In the afternoon, delegates from the two sides held talks on cooperation projects. For this purpose they were split into five groups to deal with issues of industry, materials, finance and trade, foreign trade, and science and technology.

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NEI MONGGOL'S DEVELOPMENT IN BORDER TRADE WITH USSR, MPR

SK141243 Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 13 Jul 87

[Text] Under the guidance of the party's principle of invigorating the domestic economy and opening to the outside world, our region has greatly developed border trade with the Soviet Union and Mongolia. Beginning in 1983, our region has resumed border trade with the Soviet Union and the Mongolian People's Republic. Over the past 4 years or so, through the concerted efforts of both sides, border trade has developed on a sound basis and has a fair scale. In 1986, the total value of imports and exports reached approximately 100 million yuan in Renminbi, a 15-fold increase over 1983. Judging from the variety structure, our region's export commodities are mainly foodstuffs, clothing and daily necessities including foodstuffs, textiles and light industrial products, as well as other products. The imported commodities are mainly capital goods and some durable consumer goods.

During the development of border trade, in line with the principle of equality and mutual benefits, and respective needs, both sides have conducted mutual consultation by adopting the method of setting purchase quotas according to sales, thus enabling the border trade to have good economic and social benefit and helping to improve the friendship and understanding between the Chinese people and the people of the Soviet Union and Mongolia.

Along with the unceasing economic development in the region, we have good prospects for developing border trade and have great potential in this field. It has been learned that in the future, the content of our region's border trade will also include the processing of imported materials, compensation trade, and other economic and technological cooperation items in addition to the direct exchange of commodities. Furthermore, our region will cooperate with the departments concerned to actively carry out barter trade with various East European countries, and fully display our region's superiority in communications and geographic conditions and in export resources in an effort to promote our region's economic development.

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CSO: 4006/832

YUNNAN LEADER ON TIGHTENING UP IMPORT INSPECTION

HK240853 Kunming Yunnan Provincial Service in Mandarin 2200 GMT 23 Jun 87

[Text] The provincial economic commission, the provincial department of foreign economic relations and trade, the Kunming Customs house, and the Yunnan administration of import and export commodities inspection recently held a provincial conference in Kunming to discuss the work of supervising the quality of imported commodities.

During the conference, Zhu Kui, vice governor of the provincial government, spoke on strengthening the work of supervising the quality of imported commodities and also on some issues concerning commodities inspection. After mentioning our province's achievements in promoting import work over the past few years, Vice Governor Zhu Kui noted: There are still some weak links and problems in our province's import work. Certain units have imported some poor quality equipment with poor beneficial results. In addition, there was the case of the Kunming Huaxin joint electronics company using foreign exchange to import used equipment made in China, thus having serious consequences.

Vice Governor Zhu Kui added: Strengthening the work of supervising the quality of imported commodities is an important task which has a bearing on ensuring successful promotion of our socialist construction and also on safeguarding the interests of both the state and the people. All relevant units and departments must further seek unity of thinking with the situation as a whole in mind, strengthen their sense of responsibility to both the state and their collectives, and establish and perfect the necessary system for supervising the quality of imported commodities.

Vice Governor Zhu Kui stressed: To strengthen the work of supervising the quality of imported commodities and to ensure the quality of imported commodities, all units and departments must strengthen their sense of the legal system, observe discipline, abide by the law, and strictly handle affairs in accordance with the state's policies, laws, decrees, and stipulations. Departments engaged in inspecting and examining the quality of imported commodities must give full play to their functions and powers, resolutely make sure that all imported commodities are inspected and examined within the fixed time, enforce the regulations that unexamined and uninspected

imported commodities are not allowed to be put into production or to be sold or used, strengthen commodity inspection, guarantee the quality, and prevent substandard commodities from sneaking into our province. From now on, once problems in the quality of imported commodities are discovered in a unit, it is imperative to seriously investigate and affix the responsibility of the unit and its leaders as well as the responsibility of relevant parties, and it is also necessary to punish them in accordance with the law and relevant stipulations.

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BRIEFS

GUANGXI'S IMPORT, EXPORT TRADE--Since the 3d Plenary Session of the 11th CPC Central Committee, Guangxi Region's total volume of import and export trade has increased at an average rate of 9.2 percent a year, and its total foreign exchange income has increased at an average rate of 3.4 percent a year. [Summary] [Nanning Guangxi Regional Service in Mandarin 1030 GMT 16 Jul 87 HK] /12624

CSO: 4006/832

NORTHEAST ECONOMIC ZONE'S PROGRESS IN COOPERATION

SK010420 Shenyang DONOBEI JINGJI BAO in Chinese No. 159, 16 Jun 87 p 1

[Text] Over the past few years, the Northeast China economic zone has made greater progress in conducting lateral economic and technological cooperation and has made new breakthroughs in terms of the scale of the cooperation and the results in conducting it. Preliminary statistics shows that in 1986, the zone signed contracts on more than 20,000 economic and technological cooperation projects. So far, some 12,000 projects have been completed. Through economic and technological cooperation, in 1986 the economic zone registered an increase of 4.3 billion yuan of industrial output value, equal to 3.4 percent of the zone's 1985 total industrial output value, and realized an increase of 650 million yuan of profits and taxes, corresponding to 2.8 percent of the total in 1985. Last year the economic zone imported about 800 million yuan in capital, or 2.3 percent of the 1985 total investment in fixed assets of society. Goods and material cooperation worth about 2 billion yuan have been carried out.

Along with the vigorous emergence economic associations of various categories, a group of enterprise associations and enterprise groups has emerged where large and medium-sized enterprises play a dominant role and where barriers between various departments and regions do not exist. So far, the economic zone has more than 5,000 economic associations of various categories. About 25 percent of the zone's total enterprises participated in the associations. Of this, 1,347 joined the association to promote the development of a closely integrated and semi-closely integrated economy. Along with the establishment of enterprise groups, increasingly more enterprises have been organized into large-scale enterprise groups and groups where a stock buying system is carried out or where integrated cooperation between various levels is conducted. So far, the economic zone has more than 30 large-scale enterprise groups and enterprise associations. With such characteristics as having better economic results, powerful competitiveness, a wide range of markets, extensive influential power, and strong measures against old management systems, these large enterprise groups not only have created conditions for enlivening enterprises but also have provided enterprises with experiences in improving enterprise organizational structure, realizing organizational improvement, and exploring new management systems.

The increasing vitality of technological cooperation has become an important part of the development of lateral cooperation. Of the total contracts on economic and technological cooperation signed last year, about 60 percent were contracts on technological cooperation. The technological cooperation between various enterprises is developing more vigorously each day thanks to the general establishment of technological markets among various provinces and the region. New vitality has been brought about in technological cooperation through the transformation of war industrial technologies into civilian use and the technologies of scientific research units into production use, and through the transfer of technologies from urban areas to towns and townships. Through lateral economic cooperation, 140 industrial enterprises in Heilongjiang Province turned deficits into profits, and the province developed 725 new products. Thanks to conducting lateral economic cooperation, Jilin Province imported 106 famous-brand and quality products; and Shenyang City imported 44 quality products and 740 new products and won prizes for its 46 famous-brand and quality products from the departments at or above the city level. Along with the reform of scientific and technological systems, a good start has been made in developing associations that link scientific research with production. As of the end of last year, the zone had more than 450 associations of this kind, accounting for about 2 percent of the total enterprises. These associations began to bring their advantages into play.

The orientation of goods and material cooperation has been shifted from the regulation of surplus and deficiency to the establishment of bases for long-term steady supplies of raw materials. The number of projects for economically cooperative development of natural resources increased notably. Advantageous natural resources such as coal, steel, iron, timber, paper pulp, chemical fiber sizing, flex, sheep's wool, grapes, soda ash, and starch have been developed. Some of these projects are key projects for development of the national economy. For instance, the establishment of the "Northeast China Heshan general integrated iron and steel plant" jointly invested by Shuangyashan City and the Anshan Iron and Steel Company with the view to exchanging coal and minerals has preliminarily relaxed Heilongjiang's strains on steel supplies. While developing the existing natural resources, the economic zone has made progress in cooperatively establishing bases for supplies of the raw materials that the outside places are short of.

The horizontal flow of capital is facilitated and the banking markets become enlivened. Capital circulation networks of various scales at different levels where such large and medium-sized cities as Shenyang, Dalian, Harbin, and Changchun play a dominant role have taken shape in the course of banking system reform. According to incomplete statistics, by the end of 1986, the inter-lending loans among banks of Heilongjiang and Liaoning Provinces reached 5.9 billion yuan. Last year, the Liaoning Central Banking Association was jointly organized by 48 banking organs, including the People's Bank of China, the Bank of China, the Industrial and Commercial Bank, the Agricultural Bank, the Construction Bank, insurance companies, and investment companies, respectively in 7 cities in the

central part of the province. The association successively conducted inter-lending business on 151 occasions involving 2.8 billion yuan. Of this, 700 million yuan in loans were granted to and borrowed from other provinces and municipalities. Heilongjiang Province has established more than 20 short-term banking markets where Harbin, Qiqihar, Mudanjiang, and Jiamusi Cities play a dominant role, and has established inter-lending networks involving 3.1 billion yuan in cooperation with 52 cities throughout the nation. A total of 25 cities and counties in Heilongjiang Province have established altarhouses; thus, the province has an increase of 90 million yuan of available capital every day.

Transregional cooperation has developed in depth. According to the principle of regional economy, the economic zone first developed inter-regional economic cooperation networks. So far, nine economic cooperation areas and regional associations, respectively characterized by cooperation between province and cities, between various provinces within the economic zone, and between various cities, have been established. They include an association organized by three cities in the central, coastal, and western part of Liaoning Province; and economic cooperation area with participation of the areas in the northwestern and central parts of Heilongjiang Province and Sanjiang Plain; a joint conference with the participation of Shenyang, Dalian, Changchun, Harbin, and Chifeng Cities and Hulun Buir, Jirem, and Hinggan Leagues; and economic areas along the Mudan Jiang valley and the Nen Jiang valley. Besides developing transprovincial cooperation within the economic zone, the Northeast China economic zone also has organized open-type economic cooperation networks with some areas and cities throughout the nation.

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SHENZHEN REPORTS INCREASED INDUSTRIAL OUTPUT

HK130945 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1349 GMT 9 Jul 87

[Text] Shenzhen, 9 Jul (ZHONGGUO XINWEN SHE)--From January to June this year, the total industrial output value produced by Shenzhen reached more than 2.4 billion yuan, an increase of 67.69 percent over the figure in the same period of last year.

According to an official of the Shenzhen City Government, who is in charge of industrial production, Shenzhen's present industrial production is somewhat different from the high-speed growth in the early period after the establishment of the special economic zone. In the first half of this year, Shenzhen did not mainly rely on increasing large amounts of investment and selling products to domestic markets to realize its industrial growth. In this period, Shenzhen merely increased investment by 6 percent, and the total areas of capital construction projects in progress and completed projects were even slightly lower than the same period of last year. However, in the first 6 months of this year, the volume of exports reached some 1.16 billion yuan, accounting for 48 percent of the total industrial output value and increasing by nearly 75 percent over the same period of last year.

Since last year, Shenzhen has begun to adjust its irrational industrial setup and to change the lack of coordination between the supply of raw materials and spare parts and the processing capacity of industry. These adjustments have achieved some results this year. The special economic zone is building and expanding its basic industry, and this includes the completed projects of a glass plant in Shekou, a cement factory with an annual production capacity of 80,000 tons of cement, the Shenri Printing Ink Incorporation, and the Baoshi Plastics Company, which were all put into operation in the first half of this year; and a number of key industrial projects, such as the Huajiari Aluminum Incorporation, the Anhua Casting Plant, the Huizhonghua Fiber Plant, the Precision Mold Manufacturing Company, and the International Insulating Materials Company, which are now under construction.

This year, Shenzhen is carrying out 31 industrial technological transformation projects, and 13 of these projects will produce some key spare parts for the production of electrical and mechanical products, while 6 projects serve the purpose of changing the setup of petrochemical products and developing intensive processing industry. Through technological transformation, the old enterprises can upgrade their quality; and through deepening reform, enterprises have generally raised their management level. All this has added new vigor to the special economic zone's industrial development.

At present, Shenzhen can produce most of the molds, liquid crystal chips, mini-engines, cores of cassette-recorders, plastic products, and building materials that previously had to be imported.

Through adjustment of the industrial setup, Shenzhen has basically changed the situation in which the electronics industry accounts for too large a proportion in industry as a whole. In the first half of this year, the proportion of the electronics industry declined from more than 60 percent to less than 50 percent, while the textile, mechanical, and petrochemical industries have become new forces in Shenzhen's economy.

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GUANGDONG MEASURES TO CONTROL POPULATION GROWTH

HK120708 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1448 GMT 11 Jul 87

[Text] Hong Kong 11 July (ZHONGGUO TONGXUN SHE)--Guangzhou dispatch: Guangdong held a forum to mark "The Day of 5 Billion People" this morning. Experts participating in the forum appealed for control of Guangdong's population growth.

In a television broadcast speech this evening, Guangdong, Vice Governor Ling Botang advised Guangdong people to bear in mind the issue of population control.

The acceleration of population growth has once again emerged in Guangdong in recent years. In 1986, an average of more than 3,000 births a day were recorded in the province. It was like the increase of a county with a population of a million in a year's time. Guangdong's natural population growth rate exceeded the national average level by 0.24 percent. For this, Guangdong has decided to adopt measures to keep the population growth in control:

--No more birth outside the plan should be allowed in 1987. County governors should personally grasp work of family planning. In June 1986, Guangdong promulgated its revised regulations on family planning; however, some areas have failed to control second births in the rural areas in accordance with the plan and the interval required between two children.

--Guangdong's existing family planning regulations will remain unchanged for the next decade and more. All localities should strictly implement the regulations; they should urge all those couples with child-bearing capability but no child-bearing indexes to adopt birth-control measures.

--Those who violate the stipulations on family planning, no matter who and how high their official ranks are, will be seriously dealt with.

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CSO: 4006/825

NONGMIN RIBAO DEPLORES EARLY MARRIAGES

HK171000 Xining Qinghai Provincial Service in Mandarin 0430 GMT 17 Jul 87

[Text] The 13 July NONGMIN RIBAO carries a reader's letter from Liping County in Guizhou Province, reporting on the continuing serious situation in the number of early marriages.

The paper carries an editorial note on the letter, stating: The phenomenon of early marriages among rural young people exists not only in Liping County, Guizhou, but can also be found in certain remote mountain areas and even in some rural areas where the economy is relatively developed.

It is now five years since the PRC marriage law was put into effect. During this time, all localities have launched publicity and popularization work with great fanfare. Why then do some localities still fail to act according to the law? It seems that the comrades of the departments concerned should ponder this issue.

China has a large population, with a high base figure. We are also facing a peak birth cycle at present. The swelling growth of the population has become a severe challenge to the country's economic development. It is essential to get a very tight grasp of family planning work. If young people in the rural areas marry ahead of time, the child-bearing age of the rural population will become lower, the generation gap there will narrow, and the quality of the population will decline; in addition, the great cause of the four modernizations will encounter setbacks.

We must by no means regard lightly such a major affair related to the destiny and future of the country.

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CSO: 4006/825

BRIEFS

NEWSPAPER FOR BUSINESSMEN--Beijing, 26 June (XINHUA)--"ZHONGGUO GONGSHANG BAO" [0022 0948 1562 0794 1032, CHINA INDUSTRIAL AND COMMERCIAL NEWS], a newspaper mainly devoted to publicizing industrial and commercial laws and regulations and providing guidelines for enterprise management, will begin publication on 3 July. The newspaper, published by the State Administration for Industry and Commerce, will concentrate on publicizing the party's policy of reform, opening to the outside world, and invigorating the domestic economy; and laws, regulations, and important measures concerning industrial and commercial administration; and will provide all kinds of enterprises and private business operators with guidelines for properly running their businesses. It will be published twice a week. [Summary] [Beijing XINHUA Domestic Service in Chinese 1125 GMT 26 Jun 87 OW] /12913

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MILITARY, PUBLIC SECURITY

BRIEFS

COMMUNICATIONS CUT AT XINJIANG AIR BASE--Two forestry workers from Daquanwan Xiang near Hami, Xinjiang, were arrested on 9 March for damaging the underground telephone cable of a military air base located in the area. While digging and sifting sand on 8 March, they discovered a 30mm copper cable from which they removed a 3-meter segment with plans to sell it. Communications at the base were cut off for 48 hours, directly affecting the troops' war preparedness exercises. [Summary] [Beijing JIEFANGJUN BAO in Chinese 29 Apr 87 p 2]

RESEARCH IN LOCAL CONFLICTS--In recent years, a certain group army has strengthened its research on localized wars. It collected combat examples from 150 local conflicts since the end of World War II, analyzed each from the standpoints of combat, command organization, and operational methods, and conducted topical discussions. It joined this to the training of head command organizations and invited specialists and scholars from the National Defense University, the Academy of Military Science, and other organizations, to lecture on local warfare and national defense strategy, thus enlivening thinking and guiding troop training. [Text] [Beijing JIEFANGJUN BAO in Chinese 26 Apr 87 p 2]

AUTOMATED ARTILLERY TRAINING--A certain artillery brigade is looking toward the future and reforming command methods in artillery groups and battalions. It purchased micro-computers and established a training site with programmed electronic equipment simulating all types of tank and aircraft targets, thus automating command training. It is possible at this site to simulate actual combat with the various new types of heavy artillery used by the troops, effectively improving the command ability of the artillery group commanders. [Text] [Beijing JIEFANGJUN BAO in Chinese 28 Apr 87 p 2]

FLIGHT SAFETY COMMENDATION--The Naval Aviation College was recently commended by the Navy for having safely flown 1 million sorties. [Excerpt] [Beijing JIEFANGJUN BAO in Chinese 28 Apr 87 p 2]

RADAR CALIBRATION DEVICE--The PLA radar units' first "ultra-small gun-laying radar range calibration device" was certified on 28 March. In the past, anti-aircraft artillery troops had to use a 30 meter-high steel tower as a fixed structure to calibrate radar range, a method not suited to the needs of future warfare. Wang Junhua [3076 0193 5478], director of a certain ordnance maintenance post of the General Logistics Department, along with members of a research institute under the Ministry of Electronics Industry, developed this device to replace the clumsy tower. It only has to be fitted to a radar and the range can then be calibrated at any time, greatly improving AAA accuracy. [Text] [Beijing JIEFANGJUN BAO in Chinese 30 Apr 87 p 2]

2D ARTILLERY DEVELOPS ALTIMETER--A certain research institute of the Second Artillery Corps [China Strategic Rocket Force] has developed a pocket-size electronic altimeter. It is the size of a pack of cigarettes and can measure altitudes from sea level to 10,000 meters accurate with an error less than one-one hundred thousandth. It was developed by engineers Jin Jianshe [7246 1696 6080] and Li Shi [2621 1395]. [Summary]. [Beijing JIEFANGJUN BAO in Chinese 27 Apr 87 p 1]

BRIGADE REPLACES EXCESS CADRES--As of mid-April, cadres on active duty working at the factory for servicemen's family members and at seven other organizations outside the table of organization in an artillery brigade of a Beijing MR group army, have been replaced by staff labor. The brigade's CPC committee abolished excess positions for professional management cadres. [Excerpts] [Beijing JIEFANGJUN BAO in Chinese 24 Apr 87 p 1]

CSO: 40050866

ARTICLE ASSESSES ANHUI PARTY RECTIFICATION

OW010841 Hefei Anhui Provincial Service in Mandarin 1100 GMT 29 Jun 87

[Article by (Dong Yongzhi): "Conscientiously Sum up the Results of Party Rectification by Seeking Truth From Facts"]

[Text] Our party rectification work, which lasted about 3 and 1/2 years, is basically concluded. The party rectification, the biggest in scale in the history of our party, is aimed at strengthening the party and improving its work in the new historical period. Conscientiously assessing the results of the party rectification, affirming its achievements, and earnestly recognizing its shortcomings are of great significance to advancing party building with full confidence.

In summing up the results of party rectification we must rely on facts and apply the principle of seeking truth from facts. This party rectification was launched after our country suffered a great misfortune from the 10 years of domestic turmoil, and in the new historical period of reform, opening to the outside world, and invigorating the domestic economy. Because party rectification was conducted in this historical condition, party members on the one hand were bound to place high hope on its success. On the other hand, as party rectification was launched in the new situation it was difficult to avoid mistakes of one kind of another, because we lacked experience.

In summing up the results of our party rectification work, we should sum up its achievements, the existing problems, and our experience and then analyze and assess them in the new historical environment so as to arrive at a practical conclusion. This is the guiding principles we should adhere to in summing up our party rectification work, and is the correct method.

If we sum up the results of the party rectification in our province, we may arrive at this conclusion: The achievements of party rectification should be affirmed, but the existing problems are fairly prominent. As far as ideology, workstyle, discipline, and organization are concerned, the whole party is much better than before the party rectification was launched. Progress has been made in removing the serious impurities in ideology, workstyle, and organization within the party. Through party rectification, the masses of party members and party cadres have enhanced their consciousness of implementing the party's line, principles, and policies pursued since the Third Plenary Session of the 11th CPC Central Committee. This has reinforced

the party's fighting capacity and improved the relations between the party and masses. Moreover, party members and party cadres have gained important experience in correctly handling contradictions and problems within the party.

The achievements of this party rectification can be summed up as follows: 1) party members and party cadres, having enhanced their political-ideological consciousness to varying degrees, are more effectively playing their exemplary vanguard role on all fronts; 2) they have gained a better understanding of the importance of the party administering itself and the majority of party organizations have reinforced their leading bodies; 3) through comparison and summing up of experiences, the tradition of conducting criticism and self-criticism and of observing strict discipline within the party has been further improved and party members have also enhanced their concept of organizational discipline; 4) action has been taken against some cadres who sought selfish interests by abusing power and who violated discipline and law, thus further strengthening party discipline and purifying the party organization; 5) party rectification has enabled the majority of the party members to further emancipate their minds and has strengthened their spirit of daring to seek truth. [Words indistinct] This has further advanced the building of the two civilizations.

But we should also take note of the fact that party rectification developed unevenly in various areas and units. Some units did not accomplish the basic tasks of party rectification, while others carried it out perfunctorily. This damaged the reputation of those who seriously took part in party rectification. Even those units that have carried out party rectification quite successfully are still faced with problems of party workstyle and of other kinds. They must continue to solve them in the years to come, especially in the course of building the party, so as to further consolidate and develop the achievements of party rectification and to build our party into a strong nucleus for guiding the endeavor to achieve socialist modernization.

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CSO: 4005/863

CHEN GUANGYI ON FUJIAN PARTY RECTIFICATION

OW052315 Fuzhou FUJIAN RIBAO in Chinese 25 Jun 87 p 1

[By reporter Pan Ziqiang]

[Text] A provincial conference for summarizing Fujian's party rectification work successfully concluded with the holding of its last session yesterday afternoon.

Attending yesterday's session were provincial leaders Chen Guangyi, Jia Qinglin, Hu Hong, Cheng Xu, Zhang Yumin, Gao Hu, Zhang Kehui, Huang Ming, and Wang Yishi; Zhang Chuandong, member of the Central Discipline Inspection Commission; members of the provincial party rectification guidance group; responsible comrades of the provincial departments, commissions, offices, and bureaus; and comrades from various prefectures, cities, and counties.

Zhang Yumin, member of the Standing Committee of the Fujian Provincial CPC Committee and deputy head of the party rectification guidance group under the provincial party committee, presided over yesterday's session.

Chen Guangyi, secretary of the provincial party committee, gave an important speech. He first pointed out: Comrade Jia Qinglin's report had been discussed and studied by the standing committee of the provincial party committee before it was delivered to the conference. The report realistically appraised our party rectification work and made feasible suggestions concerning our future party building. Chen Guangyi then made the following five suggestions:

1. We must comprehensively and realistically appraise our party rectification work. The overall rectification was a major practice for strengthening party building in the new period. Party organizations and party rectification offices at all levels in the province had seriously implemented the decision of the CPC Central Committee on party rectification and the various circulars of the Central Commission for Guiding Party Rectification. They have done a great deal of work and achieved notable success in achieving ideological unity, rectifying party work style, strengthening discipline, and purifying party organizations. Of course, progress was not well balanced, and was inadequate in many respects. There were even cases of perfunctoriness. Some historical problems still remain to be resolved. Some grassroots party organizations are not very strong, and they are faced with enormous tasks in

rectifying and improving party and work style. All of these problems need to be seriously resolved in the coming days. However, generally speaking, our achievements are the main aspect of our party rectification work. We must treasure the achievements and the experience gained, reinforce and develop them, and push the task of party building forward.

2. We must lose no time in bringing about the transition from concentrated party rectification to regular party building. The new situation of reform and opening to the outside world has brought new tasks to party building. Whether we can build our party into a strong nucleus capable of leading socialist modernization has a direct bearing on the success of our cause and the destiny of our country, nation, and people. We must recognize that party building is a long-term task. We must continue to strengthen and improve our party work, using the experience gained in concentrated party rectification to carry out our regular party building.

3. We must clearly understand the main task and guideline for party building in the new period, which is to guarantee the implementation of the line laid down at the 3d Plenary Session of the 11th CPC Central Committee and the upholding of the four cardinal principles and the general principles and policies of reform, opening to the outside world, and invigorating the economy. Our organizational line must be subordinated to the political line, and the guideline for party building should be implemented in the party's ideological and organizational building, in its cadre work, and in discipline inspection to ensure that the line laid down at the 3d Plenary Session of the 11th CPC Central Committee is carried out. Party organizations at all levels and all work departments should focus on the two basic elements, continue to eliminate the influence and interference from bourgeois liberalization and the rigid way of thinking, and carry out various party building tasks.

4. We must raise our party building work to a new level. To carry out regular party building, we must proceed from the objective environment, constantly study the new situation and characteristics of party building, and take steps to strengthen and improve our party work. We must grasp the three elements constituting Fujian's party building environment: First, our party is in the ruling party position; second, we are carrying out party building in the course of reform, opening to the outside world, and invigorating our economy; and third, our location in the coastal region and our status as one of the earliest provinces opening to the outside world make party building more complicated and arduous. Although the 3 years of party rectification has strengthened our province's party building, there are still many problems urgently waiting to be resolved. For example, a few party organizations and cadres with party membership failed to comprehensively and correctly understand the two basic elements of the line laid down at the 3d Plenary Session of the 11th CPC Central Committee, and some even thought of the two elements as being in conflict with one another. Some organizations and cadres failed to resist negative phenomena, lacked enthusiasm for reform and opening to the outside world, or even took a skeptical attitude or had reservations about reform and opening. Such an attitude tends to lead to deviations in our work. A bureaucratic way of thinking still exists among a number of cadres,

who stand high above the masses, show little concern for their sufferings, work irresponsibly, argue over trivial matters, and undermine other people's work. Their action causes waste in production and construction and setbacks and errors in work. Some party members and cadres neglected supervision and control in the course of pursuing opening to the outside world and invigorating the economy. As a result, liberalism developed, and violations of law and discipline became more frequent. Party work in some places failed to catch up with the development of multiple economy elements and multiple forms of distribution. Some Chinese-foreign equity joint ventures, Chinese-foreign cooperative ventures, and wholly foreign-owned enterprises, as well as some village and town enterprises still have not set up party organizations, and regular party work is lacking even in those enterprises with party organizations. Some party members and cadres, instead of abiding by the law and working hard to become well-off, tried to become shareholders on the strength of their positions and corrupted themselves by accepting bribery and seeking illegal gains. In international exchanges, some failed to guard against decadent capitalist ways and acted in a way demeaning to national and personal dignity. Foes of habit such as "connections" and "personal favors" as well as pernicious feudal influences can still be felt in many areas.

The phenomena and problems just described show that to carry out party building in the course of opening to the outside world and invigorating the economy is a political task for party organizations at all levels. Practice has made it clear that the further we go in reform, opening to the outside world, and invigorating the economy, the more necessary it will be for us to run our party more strictly. Only when our party style is rectified and the party's role as the nucleus is strengthened can reform, opening, and economic invigorating advanced smooth. In the past we arranged party rectification and the work of rectifying party style according to this requirement. In the future, we should also bear in mind this requirements during the whole course of party building. How to strengthen and improve party work? In light of the local conditions, we should pay attention to the following three links: First, we should pay attention to education and enable the vast numbers of party members and cadres to continue raising their ideological-political standards, enhancing their consciousness in implementing the line laid down at the 3d Plenary Session of the 11th CPC Central Committee, standing in the forefront to uphold the four cardinal principles and the policy of reform, opening to the outside world, and invigorating the economy, and playing a leading role in building socialist material and spiritual civilization. Second, we should pay attention to party style, uphold the principle of building a party that serves the interests of the people, selflessly and diligently conduct official duty in the interest of the people, and consciously and resolutely combat and rectify all kinds of unhealthy practices.

For a certain period beginning now, emphasis should be placed on solving the problems of serious violations of law and discipline, abuse of official power for selfish ends, and bureaucracy. We should check such unhealthy trends as using farmland for housing construction, wantonly destroying forests, wasting government funds to hold banquets and buy gifts, and vying for travel abroad

as well as malpractices in organizational and personnel work. At present, it is particularly necessary to stress combating bureaucracy. We should draw lessons from the accident of the Daxinganling forest fire and expose, investigate, and deal with those typical cases in which the serious bureaucratic and irresponsible attitude has inflicted a grave loss on the cause of the party and people.

We should make an earnest effort to change the style of work. Third, we should pay attention to building the party. In this regard, we should pay attention to raising the party's ideological and theoretical levels, improving its workstyle, and strengthening its leading bodies, organizations, and systems. In particular, we should grasp such basic work as the building of grassroots party organizations and the improvement of the party's ideological and theoretical level. Leading cadres at and above the county level should earnestly study Marxism-Leninism-Mao Zedong Thought and Comrade Deng Xiaoping's writings on building socialism with Chinese characteristics, so that they can continue to enhance their understanding of the theories and policies. Particularly in building the party, leading party cadre are required at all times to set an example with their own conduct and carry out party discipline and rules in a exemplary manner. They should see to it that what they require of the masses is first fulfilled by themselves.

5. The whole party should persistently grasp the work of building the party. Strengthening the building of the party is a task for the whole party. It is imperative for the whole party to persistently grasp this work on a constant basis. Party committees at all levels should raise their awareness of the need for the party to take care of party affairs and earnestly solve the problems of no distinction between the party and government and the party not taking care of party affairs--two phenomena which are relatively common at the present time. All work departments in specialized fields, including economic work departments, should properly handle the relationship between the work of building the party and their specialized work. With a duty to build the party, every Communist Party member should love his organization as the apple of his eye and be concerned about the building of the party. Without exception, we should implement the principle that the party should take care of party affairs throughout our entire work, take the initiative to carry out the party's functions, and make a success of the constant party building work, a task that we should take realistic steps to strengthen, beginning immediately. Departments in all fields and at all levels should make an earnest effort to study measures to suit the work of building the party to the entire construction and reform program and have the two develop simultaneously. They should wholeheartedly explore new ways to increase the vitality of party organizations, not by political movements but by education, reform, and improvement of various systems. Party committees at all levels should devote their energy primarily to building the party. Not only should the principal responsible comrade of the party committee grasp this work, a deputy secretary should be assigned to take care of it and fulfill the responsibility in this regard. To sum up, the constant work of building the party should be carried out in an all-around, sustained, and resolute way so as to produce real results.

Gao Hu, secretary of the provincial Discipline Inspection Commission, Liu Jinmei, deputy head of the Organization Department, and Yang Huaji, deputy head of the Propaganda Department of the provincial party committee, also delivered speeches at the session, emphasizing various tasks in strengthening the building of the party after the conclusion of party rectification.

Finally, Comrade Zhang Yumin set forth three opinions on how to carry out the guidelines of this provincial conference, which was held to sum up the work of party rectification: One, when the representatives return to their respective localities, they should seriously implement the guidelines set at this conference and appropriately sum up their local party rectification work by seeking truth from facts. Two, continued efforts should be made to earnestly solve the problems left over from the work of party rectification, including the investigation of the "three types of persons." Three, all localities should start their work of building the party on a constant basis promptly after the conclusion of party rectification.

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CSO: 4005/863

FUJIAN MEETING REVIEWS COLLEGES' MARXIST CURRICULUM

OW031005 Fuzhou Fujian Provincial Service in Mandarin 2000 GMT 2 Jul 87

[Text] The Fujian provincial meeting to exchange experiences in reforming the teaching of Marxist theories at institutions of higher learning concluded on 24 June. The meeting noted that to improve the teaching of Marxist theories at institutions of higher learning, it is essential to uphold the principle of integrating theory with practice, and train more qualified teachers.

The meeting pointed out: In teaching Marxist theories, institutions of higher learning must, on the basis of the curriculum of Marxist theories and in connection with the work of building a socialist society with Chinese characteristics, fully expound the lines followed since the 3d Plenary Session of the 11th CPC Central Committee. Institutions of higher learning must continue to reform their teaching methods by placing greater emphasis on practical work and guiding students to take part in social work and correctly understand and approach issues appearing in the course of reforms and opening to the outside world. Teachers must uphold the principles of teaching books and educating students. They should immerse themselves among students to understand them, make their lessons more relevant, guide the students to gradually acquire a correct view toward life and the world and apply correct viewpoints in contemplating and answering their major problems, and understand and fulfill the lofty responsibilities of China's younger generation. Teachers should also make their theoretical lessons more persuasive, interesting, and effective.

The meeting maintained: To reform the teaching of Marxist curriculum at institutions of higher learning, it is essential to train more teachers who uphold party lines, who have Marxist consciousness, who are knowledgeable in Marxist theories as well as learning in other fields, and who are enthusiastic in teaching ideological and theoretical lessons among young people. While building a socialist society with Chinese characteristics and reforming teaching methods, efforts must be made to upgrade teachers' theoretical proficiency and competence in various practical fields, and to reinforce the teachers' contingent by training more young people to become teachers.

Yang Huaji, deputy head of the Propaganda Department of the Fujian Provincial CPC Committee; and Ye Tingqiao, vice chairman of the Fujian Provincial Education Commission, addressed the meeting.

SHANDONG PARTY RECTIFICATION SUMMING-UP MEETING ENDS

SK230712 Jinan Shandong Provincial Service in Mandarin 2200 GMT 22 Jun 87

[Text] The provincial meeting to sum up party rectification work, which ended on 22 June, emphatically pointed out the necessity of upholding the two cornerstones and continually strengthening and attending to regular party building on the basis of party rectification in close combination with the party line of building socialism with Chinese characteristics so as to ensure the implementation of the party line followed since the 3d Plenary Session of the 11th Party Central Committee.

Opening in Weifang on 21 June, this meeting relayed the guidelines of the national meeting to sum up party rectification work and the important speeches of the central leading comrades. On behalf of the provincial party committee, Lu Maozeng, deputy secretary of the provincial party committee, delivered a report entitled "Summary of Provincial Party Rectification and Suggestions for Future Work." The report consists of three parts: 1) a basic appraisal of provincial party rectification; 2) major methods of and experiences gained from party rectification; and 3) further strengthening regular party construction.

During the discussion, the participants unanimously maintained that this meeting not only marks the basic completion of provincial party rectification, which lasted 3 years and 4 months, but also marked the beginning of a new stage of regular party building. The basic appraisal of the provincial party rectification provided by the report is objective, comprehensive and realistic, and is in conformity with the reality of the province. Only by truly laying bare both achievements and problems will it be clearly indicated that our party has the confidence and ability to overcome its own shortcomings, and can it make the masses become much more confident about the party and place hopes in the party.

The meeting maintained: Judging from the situation as a whole, provincial party rectification has proceeded soundly, with the achievements being the main aspect; and the tasks of unifying thinking, consolidating workstyles, strengthening discipline and purifying organizations have been basically accomplished. As a result, some successful experiences have been created and accumulated for strengthening party building during the new period. The major results of the current party rectification are: The consciousness in maintaining ideological and political unanimity with the central authorities

has been stepped up; some prominent problems in party style have been examined and tackled; party members have been more conscious of party spirit; party organizations have been consolidated and purified; at the building of leading bodies has been intensified; and the development of various reform and economic programs has been promoted.

The meeting's participants pointed out: Comparing the current party rectification with past political movements, we can see four major differences, that is, changing the practice of the higher authorities exerting pressure on the lower authorities to the practice of arousing party members' consciousness through education; changing the practice of grasping live targets to the practice of giving positive guidance by showing typical cases; changing the practice of allowing everyone to pass the test without careful and individual screening to the practice of encouraging party members to conduct rectification and correction consciously in line with reality; and changing the practice of rectifying only the lower authorities but not the higher authorities to the practice of the leaders taking the lead and setting examples.

The meeting pointed out: After the basic completion of party rectification, party organizations at all levels should never relax their efforts in the slightest, but should continue to tackle the problems that have not yet been solved or have not been completely solved. Meanwhile, they should further enhance their understanding of regular party construction, conduct in-depth education on the line followed since the 3d Plenary Session of the 11th Party Central Committee, and conscientiously study Comrade Deng Xiaoping's important expositions concerning the line since the 3d Plenary Session of the 11th Party Central Committee and the series of important instructions of the party Central Committee so that the vast number of party members can further understand the line followed since the 3d Plenary Session of the 11th Party Central Committee.

Party organizations at all levels should conscientiously organize study and training on Marxist-Leninist theory among party members and cadres, leading cadres in particular, in order to acquire a stronger sense of adhering to principles in work, a systematic approach, foresight, creativity, and political steadfastness. They should continue to grasp the building of party style and give prominence to solving such problems as abusing one's powers to serve his own interests, serious cases of bureaucratism, securing personal advantages through pull, extravagant wining and dining, and giving excessive gifts. They should continue to strengthen the building of leading bodies at all levels, further improve systems concerning party activities, and actively attend to the recruitment of new party members. In line with the principle that the party should take charge of party affairs, they should actually strengthen the leadership over party building in order to push party building to a new level.

Attending the meeting were Lu Maozeng and Jiang Chunyun, deputy secretaries of the provincial party committee; Yang Xingfu, Liu Peng, He Guoqiang, and Zhang Quanjin, Standing Committee members of the provincial party committee; Wang

Jinshan, vice chairman of the provincial Advisory Commission; Li Farong, secretary of the provincial Discipline Inspection Commission; secretaries of various city, prefectural, county, and district party committees; secretaries of party committees of various large enterprises; and responsible comrades of party rectification offices of various cities and prefectures, a total of more than 230 people.

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CSO: 4005/863

RUI XINGWEN SPEECH AT SHANGHAI PARTY MEETING

OW210109 Shanghai JIEFANG RIBAO in Chinese 13 Jul 87 pp 1-3

["Strengthen Education by Positive Examples, Continue To Deepen Reforms, and Bring About a new Upsurge of the Campaign To Increase Production and Practice Economy and To Raise Revenues and Reduce Expenditure--A Report by Rui Xingwen at the Shanghai Municipal Conference of CPC Delegates on 27 June 1987"-- JIEFANG RIBAO headline]

[Text] Comrades:

At this conference of party delegates, we have selected Shanghai's representatives to attend the 13th National Party Congress and heard a summing-up report on party rectification made by Comrade Wu Bangguo on behalf of the municipal party committee. Now, entrusted by the municipal party committee, I will deliver a work report to the conference.

Shanghai's First Half Year Situation

While inspecting Shanghai in April this year, Comrade Zhao Ziyang said: "Like the rest of the country, Shanghai has undergone tremendous changes in recent years. Public feedback indicates an excellent and heartening situation." This is a strong stimulus to party organizations at all levels and to all party members and people of Shanghai. Generally speaking, the work in Shanghai has been fruitful; however, there are still many problems, and the tasks confronting Shanghai remain formidable.

Early this year, the party Central Committee called on us to concentrate on accomplishing two major tasks this year: One is related to the political and ideological field, and it calls for efforts to intensify publicity and education on upholding the four cardinal principles; to staunchly resist bourgeois liberalization; to promote socialist ethics; and to further consolidate and develop political stability and unity. The other pertains to the economic sphere, and it calls for efforts to uphold the correct policies of economic construction; to launch an extensive campaign to increase output, practice economy, raise revenue, and reduce expenditure; to step up economic restructuring; to further open to the outside world; and to strive to ensure sustained and stable development of the overall economy. On the basis of the central authorities' plans and Shanghai's actual situation, the municipal party committee has defined the main areas of work in connection with these

two major tasks for this year. Owing to the joint efforts of all party members and people of Shanghai in the past 6 months, specific results have been achieved in all areas of work.

1. The spread of bourgeois liberalization has been curbed.

Shanghai has mounted a fight against bourgeois liberalization in strict accordance with the guidelines of the "CPC Central Committee circular on a number of issues on the current fight against bourgeois liberalization" and has achieved solid progress in this regard. In the past 6 months, it has paid particular attention to the following five issues:

(1) Take a clear-cut stand against the erroneous views of bourgeois liberalization. We organized the writing resources of theoretical, press, and cultural circles and institutes of higher learning to compose articles on 20 designated subjects for the purpose of analyzing, discussing, answering questions, and directly criticizing, in the context of fundamental theories, the viewpoints on bourgeois liberation of Liu Binyan, Fang Lizhi, and Wang Ruowang. The press has carried some 100 articles in this respect, and more than 50 articles are scheduled for release or are being prepared. After the conclusion of the national conference of propaganda chiefs, we readjusted and enlarged the number of the original 20 subjects.

(2) Earnestly conduct positive education on upholding the four cardinal principles. In accordance with the central authorities' instructions, Shanghai has conducted various forms of positive education in the past 6 months. For instance, leading party and state cadres from the municipal party committee and from all departments, commissions, offices, and prefectoral and country bureaus too, the initiative in reporting, in a series of lectures, on their experiences to party members and the general public, thereby providing guidance to the masses in their studies and promoting self-study in this connection. The party committees of all major departments held reading classes for cadres at and above the bureau level to study the two books entitled "Uphold the Four Cardinal Principles and Oppose Bourgeois Liberalization" and "Build Socialism With Chinese Characteristics." Some units have achieved considerable results in preparing audio-visual teaching materials on the basis of social surveys for the purpose of conducting lively, positive education.

(3) Consolidate and strengthen the media. First, proper arrangements were made for party cadres representing the four newspapers (JIEFANG RIBAO, WEN HUI BAO, XINMIN WANBAO, and SHIJIE JINGJI DAOBAO) and the two stations (the radio and television stations) to seriously study relevant documents of the central authorities and to conduct education on upholding the four cardinal principles. The contents of reporting for publicity purposes since 1984 were preliminarily reviewed and sorted out through self-examination. Publication of SHEHUI BAO was suspended. With the continuous overhauling of Shanghai's press, media reporting and publicity have improved.

(4) Strengthen and improve ideological and political work on all fronts, especially in schools. In resolving the student movement last winter, we became increasingly aware of the fact that lax ideological and political work was an important factor in giving the ideological trend of bourgeois liberalization an opportunity to set in and rampantly grow. Accordingly, the municipal party committee and party committees at all levels have conducted positive education in the past 6 months on opposing bourgeois liberalization in accordance with the pertinent documents of the central authorities, as part of efforts to stress and strengthen ideological and political work; in particular, they have concentrated on the ideological and political work of Shanghai's institutes of higher learning. Meanwhile, people from various sectors of society and the students' parents did massive, thorough, and painstaking ideological work in coordination with efforts made by colleges and universities, thereby further stabilizing student ideology and the situation in colleges and universities. Normalcy reigned after the colleges and universities reopened. Schools strictly abided by the law in electing prefectural and country people's deputies in an atmosphere characterized by democracy and heavy student turnout, resulting in considerable improvements in the quality of elected deputies. Party members accounted for three-fourths of the 23 student people's deputies, most of whom were three-good students.

(5) Begin to take seriously the strengthening of the contingent of Marxist theoreticians. Municipal party committee held numerous seminars of theoreticians to study how theoretical work should serve upholding the four cardinal principle, carrying out reforms, opening to the outside world, and invigorating the economy, and how the practical guiding role of theory should be brought out in the worthy cause of building socialism with Chinese characteristics. The party committees of all major departments, prefectures, and counties also took seriously the building of the contingents of theoretical workers. The party committees of educational and health departments organized teachers of Marxist theory from various colleges and universities to compile theoretical books and publicity materials, including "100 Topics on Upholding the Four Cardinal Principles--Answering College Students' Questions." Major industrial, financial, trade, and communications departments and some prefectures also compiled publicity materials of fairly high quality for the purpose of training key theoretical cadres. These books and materials helped promote studies and positive education at the grassroots level and were welcomed heartily by the party organizations of grassroots units.

Owing to the correct leadership of the central authorities and the joint efforts of party organizations at all levels in the municipality, Shanghai has undergoing tremendous changes in the political and ideological fields, and the rampant ideological trend of bourgeois liberalization has been curbed. 1) The student movement has subsided, and the situation in schools and the sentiments of students have tended to stabilize. 2) The ideological trend of bourgeois liberalization has lost its public appeal. 3) Wang Ruowang has received due criticism, and the party has taken disciplinary action for openly advocating bourgeois liberalization and refusing to mend his ways despite repeated admonitions. 4) The entire party ha improved its understanding of the four

cardinal principles and of the harmful efforts to bourgeois liberalization; it has sobered up its thinking and strengthened its Marxist stand. 5) Compared to last winter, society has become more stable thereby maintaining the strong momentum of sustained and stable economic development.

2. "Double increase, double economy" campaign has a good beginning, economic structural reform continues to deepen.

(1) In organizing and promoting "double increase, double economy" activities in the past 6 months, we have set clear-cut goals. The campaign has had a good start and is healthily developing. Many units have opened up new vistas and pioneered new ways while organizing and promoting these activities. We have always regarded raising economic benefits as the primary goal of the "double increase, double economy" campaign and have strived to fulfill this year's GNP targets and the municipal financial revenue plan; we have cut down material consumption in production and expanded exports to earn more foreign exchange. We have integrated the "double increase, double economy" movement with efforts to improve macroeconomic controls; deepen enterprise reform; promote the contract system among large and medium-sized enterprises; do well in all our undertakings; build up staff and worker contingents; and improve enterprise management. We have insisted on building up a socialist material civilization and a socialist spiritual civilization simultaneously to ensure that the "double increase, double economy" movement develops on a sound foundation.

(2) The economic structural reform is advancing on a steady course. In the first half of this year, the central task of economic reform in Shanghai was to beef up the vitality of various enterprises, particularly large and medium-sized enterprises under the collective ownership system, and improve their management structure. While beefing up enterprise vitality, we also conducted reform in other related areas.

a. The first-phase reform of Shanghai companies of an administrative nature has been basically completed. The reform is beginning to show results. When Comrade Zhao Ziyang inspected Shanghai last April, he fully affirmed the results of reform in companies of an administrative nature and encouraged us to continue to consolidate and perfect the reform.

b. We have tried to popularize various forms of contract management responsibility systems in large and medium-sized enterprises on a trial basis and have accelerated our pace in promoting contract and lease systems in small enterprises. Recently, the first batch of 119 large and medium-sized enterprises under the collective ownership system signed management responsibility contracts with their respective parent bureaus or finance bureaus. The contracts signed by these enterprises were mainly of the "three guarantees, one link" type, which mean the enterprises guarantee to turn a part of their profits to the state, upgrade their technology, and improve the value of their fixed assets, as well as link wage increases and profit sharing with economic results.

c. We have reformed the enterprises' leadership system. By the end of May, some 1,032 enterprises under the collective ownership system had implemented the director (management) responsibility system on a trial basis. The experiment has been expanded from the industrial to the communications, urban construction, finance, trade, and other departments. In the experimental process, we have further implemented the State Council's "Several Regulations on Deepening Enterprise Reform and Strengthening the Vitality of Enterprises" and have gained initial experience in implementing the three regulations and the supplementary circular on reforming the leadership system of enterprises issued by the party Central Committee and the State Council, thereby laying a sound foundation for the next stage of all-round reform.

d. The reform of commodity circulation, finance, labor, investment, and planning systems is also underway. Currently, a multifaceted financial system has emerged in Shanghai whereby funds are circulated through a number of channels, and a short-term fund market has also begun to take form in Shanghai. At the beginning of this year, we opened a well-led, well-controlled processed steel market. Shanghai's technological market has also witnessed marked progress.

e. Lateral economic ties have developed in depth, accelerating Shanghai's two-way economic and technical exchanges with other parts of the country. All kinds of enterprise blocs, with backbone enterprises or manufacturers of brand-name products as leaders, have been consolidated and developed, cooperation with fraternal provinces and regions in exploiting raw and semifinished materials strengthened, procurement and joint production of raw materials for export commodities increased, and more foreign exchange earned from exports. Currently, there are more than 6,000 economic associations and 100 blocks of enterprises of various types, 100 joint projects for developing resources, and some 800 factories set up by other localities in Shanghai. Lateral economic associations have instilled new vitality into the efforts to transform and reinvigorate Shanghai, and have promoted the common prosperity of Shanghai, fraternal provinces, and municipalities.

f. Progress has been made in absorbing foreign capital. So far, there are 251 Chinese-foreign equity joint ventures, Chinese-foreign cooperatives ventures, and wholly foreign-owned enterprises, with a total investment of U.S.\$2 billion investment. The party Central Committee and the State Council have granted approval for Shanghai to directly borrow funds from abroad, provided that it repay loans on its own. By the end of May this year, 223 proposed projects and feasibility reports, with a total investment of U.S.\$2.54 billion, had been approved.

g. Rural economic reform has also been deepened. With the introduction of the contracted responsibility system, based on the household, with remuneration linked to output, the first-step reform was completed a few years ago. In continuing to deepen rural reform, we have developed diversified management at an appropriate scale, gradually straightened out the relationship between the government and enterprises, and restructured the circulation system of farm and subsidiary products in order to rationalize

production structure and promote agricultural modernization in Shanghai's rural areas.

Spurred by the "double increase, double economy" campaign and the reform and open policy, Shanghai has been able to maintain its stable economic growth over the last 6 months. This is manifested primarily in the following:

A. Industrial output has increased steadily. The total industrial output value for the first 5 months of this year amounted to 39,733 million yuan, an increase of 8.5 percent over the same period last year, or 41.6 percent of the annual target, and we expect to meet the requirement of fulfilling at least half the annual target in the first 6 months. The output of most products in demand on the domestic and foreign market has increased. Of the 86 kinds of major products, the output of 54 increased in the first 5 months, of which 20, including television sets, pig iron, steel, and automobiles, registered an increase of at least 10 percent. Product quality has also steadily improved. The quality of the 239 key products evaluated by the municipality was further improved in the first 5 months of this year.

B. Despite nature disasters since the beginning of this year, the suburban counties expect to reap a bumper harvest of summer crops this year. Output of pork, poultry, eggs, and vegetables has increased by varying degrees, while the output value and profits of rural industry have increased by relatively big margins.

C. Growth in foreign trade exports has continued to rise. In the first 5 months, the total value of foreign trade procurement was 5,535 million yuan, and of exports, 1.62 billion yuan, respectively topping the same period last year by 16.9 and 19.7 percent. The product mix of export goods has also been changed, with export of heavy industrial products increasing by 31.3 percent, and that of light industrial products by 20.6 percent. Prices of export commodities have been raised by varying degrees.

D. In accordance with the principle of "reducing the scale" and the "three guarantees and three restrictions," the investment scale of fixed assets has been under control, and construction of key projects accelerated. The proportion of investment in productive projects has increased conspicuously to 63.9 percent from 53.2 percent in the same period last year.

E. The market is thriving and stable, with brisk buying and selling. After allowing for price rises, the income of workers and staff has increased and the people's standards of living improved. In the first 5 months, the total value of manufactured goods procured for the domestic trade amounted to 11.85 billion yuan, up 10.6 percent from the same period last year, and the total volume of retail sales was 9.84 billion yuan, up 19.5 percent, with all-round increased sales in food, clothing, and consumer goods.

F. Shortage of bank credit funds has been somewhat eased, primarily as a result of all specialized banks' energetic efforts to ensure deposits and adopt flexible measures to increase sources of funds and issue fewer loans on

credit. By the end of May, the imbalance between deposits and loans issued had dropped compared with the same period last year, and a total of 2,014 million yuan in funds had been withdrawn from circulation, an increase of 15 percent over last year.

G. In the spirit of trying our utmost to do things with available resources, we have decided to accomplish 15 projects closely related to the people's everyday life this year. So far, progress has been smooth. All relevant departments have set up personal job responsibility systems at each level, and assigned special personnel to take charge of each project according to requirements. A project to solve the housing problem for 6,000 impoverished households, with per capita living space under 2 square meters, is being carried out. Construction of the new railway station, an underground tunnel on the Andong Road, the Pudong Gas Plant, the Telecommunications Building, and a water irrigation project on the upper reaches of the Huangpu Jiang has been accelerated.

3. The Tasks of Party Rectification Have Been Basically Completed

Under the correct leadership of the party Central Committee and the Central Commission for Guiding Party Rectification, and in accordance with the decision on that subject, party rectification has proceeded smoothly in Shanghai, thanks to the efforts of all quarters concerned in the past 3 years or so. Completion of party rectification tasks in the main has promoted the reform and open policy, facilitated economic development and the work in all fields, and tempered leaders at all levels, gaining them rich experience in carrying out party building and ideological and political work in the new era. However, quite a few problems and shortcomings, including some serious ones, remain and need to be solved with our continued efforts for regular party building and party rectification in the future.

Achievements have also been made in public security work, procuratorial and judicial affairs, united front work, exchange with foreign countries, education, science and technology, culture and arts, press, publications, theory, public health, and sports, as well as in mass organizations.

Comrades!

The development of the situation in Shanghai over the past 6 months has proved that the party Central Committee's policy decision on the two major tasks for this year is entirely correct. As Comrade Ziyang said: "Successful completion of these two major tasks will give a strong impetus to the work in all fields. With economic and political stability, our country will be full of promise." In the course of practice, we have become more aware of the two basic points of the line formulated by the party since the 3d Plenary Session of the 11th Central Committee, as well as the true meaning of building socialism with Chinese characteristics. As long as we adhere to these two basic points, we shall be able to instill vigor and win ultimate victory in the cause of socialism and the transformation and invigoration of Shanghai.

While fully reaffirming the essentials and main trend of the situation in Shanghai, we must clearly understand that many problems and difficulties remain on our road of advance. Although the situation of bourgeois liberalization running rampant in the political and ideological sphere has been turned round, we still need to exert strenuous efforts and work hard to eliminate the pernicious influence caused by this erroneous trend of thought. In the economic field, an outstanding issue is: although industrial production is on the increase, revenue is on the decline. In other words, production has increased without boosting revenue. From January to May, revenues in Shanghai totalled 7,003 million yuan, marking a decrease of 5.7 percent. This reduction in revenue can be attributed to the price increases of raw and semi-finished products and other factors of a policy nature, such as the reduction and exemption of the regulatory taxes for the various enterprises. Naturally, there are also some subjective reasons for this. Whatever the reasons may be, the fact is that revenues have decreased. This greatly affects municipal construction in Shanghai. The situation is grim. It merits the attention of the whole party in Shanghai.

Major Work in the Second Half of the Year

The 13th National Party Congress will be held in October this year. We must enthusiastically and earnestly study, implement, and give widespread publicity to the guidelines laid down by the Congress in the course of doing our work for the future. During the second half of this year, we must conduct positive education in upholding the four cardinal principles, and wage a struggle against bourgeois liberalization extensively, persistently, and healthily. We must continue to deepen reform, further opening Shanghai to other localities in the country and to the outside world. We should further develop the campaign to increase production, practice economy, increase revenues and reduce expenditures; and strive to improve economic results. We must consolidate and develop achievements in party rectification, strengthen party building, ensure the correct implementation of the party's line, principles, and policies, and continue to carry out our work well.

1. Firmly Grasp Positive Education as the Key Link, Further Deepen the Struggle Against Bourgeois Liberalization

On the basis of Comrade Zhao Ziyang's recent "speech at a meeting of propaganda, theoretical, press, and party school cadres," and his speech at the meeting to evaluate and sum up the experience in carrying out party rectification in the country, we must firmly grasp positive education as the key link, and let it take deep roots among the people to further deepen the struggle against bourgeois liberalization. In the course of conducting positive education, we must cite the actual results in construction and reform over the past 8 years, elucidate vividly, and in an overall manner, the 2 basic concepts of the party's line in force since the 3d Plenary session of the 11th CPC Central Committee, and help the whole party and all the people in Shanghai raise their awareness in implementing the line, principles, and policies laid down since the 3d Plenary Session of the 11th CPC Central Committee. We must assiduously study the two books--"Uphold the Four Cardinal

Principles, Oppose Bourgeois Liberalization" and "Build Socialism With Chinese characteristics;" unify the ideas and understanding in the whole party on the basis of Comrade Deng Xiaoping thought. We must persistently link positive education with the development of socialist spiritual civilization and with the strengthening of party building; and further raise the level of Marxism throughout the party in Shanghai.

Currently, we must, first, unify our understanding regarding positive education. The key to deepening the struggle against bourgeois liberalization is to truly let positive education take deep root among the people, and help the overwhelming majority understand what the four cardinal principles are, why must we uphold those principles and how to uphold them. To solve these issues, we cannot rely on any political movement. We must rely on positive education. The struggle against bourgeois liberalization is a long-term one. It is parallel to the development of the socialist modernization program. Therefore, to conduct positive education is also a long-term task. Before the superiority of socialism over capitalism becomes increasingly apparent, the thinking of admiring capitalism and doubting socialism will exist over a long period. There will still be a market for bourgeois liberalization. To solve this problem, we must persistently and unswervingly carry out ideological education, wage the necessary ideological struggle, and do a good job in promoting reform and construction. It is wrong to ignore the necessary struggle against capitalist and feudal decadent thinking. It is also erroneous to intensify or simplify the struggle and try to solve ideological problems with any political movement.

To do a good job in conducting positive education, we must review the actual achievements in construction and reform over the past 8 years, elucidate vividly and in an overall manner the two concepts of the line which has been in force since the 3d Plenary Session of the 11th CPC Central Committee, and continuously eliminate the interference from liberalization and ossification. We must not approach the policy of carrying out reform, opening to the outside world, and invigorating the domestic economy from the point of view of liberalization. Nor should we approach the four cardinal principles from the point of view of ossification. We should help the broad masses of party members and cadres understand that since the 3d Plenary Session of the 11th CPC Central Committee, our party has placed its emphasis on economic construction, persistently developed the policy of carrying out reform, opening to the outside world and invigorating the domestic economy, and concentrated its efforts in developing the productive forces. The four cardinal principles constitute the foundation in building and running the nation, while the policy of carrying out reform, opening to the outside world, and invigorating the domestic economy is the general principle and policy in developing the socialist modernization program. These two basic concepts are closely interrelated. They are aimed at building socialism with Chinese characteristics and developing social productive forces. If we fail to uphold the four cardinal principles, we will head for bourgeois liberalization. If we do not persistently implement the policy of carrying out reform, opening to the outside world, and invigorating the domestic economy, we will move toward ossification. Both of these mean retrogression. Liberalization is a form of

retrogression toward capitalism, while ossification means retrogression to the "leftist" line and policy. At the same time, ossification actually encourages bourgeois liberalization. Because, if one's ideas are ossified and the policy of carrying out reform, opening to the outside world, and invigorating the domestic economy is not upheld, it will be hard to develop the productive forces. It will also be impossible to demonstrate the superiority of socialism, show the strong appeal of socialism, and curb the influence of the trend of thought for bourgeois liberalization. Therefore, in the entire process of developing the socialist modernization program, we must advocate the two basic concepts and guard against both ossification and liberalization. This is an important task as well as a general requirement in conducting positive education against bourgeois liberalization. Various departments and units should put forward their own specific requirements in close connection with their own actual conditions to conduct positive education on the basis of their own situation.

In conducting positive education, we must use the two books, namely "Uphold the Four Cardinal Principles, Oppose Bourgeois Liberalization" and "Build Socialism With Chinese Characteristics" as teaching materials, and earnestly organize party members and cadres to study and give widespread publicity to Comrade Deng Xiaoping's thought. Since the 3d Plenary Session of the 11th CPC Central Committee, Comrade Deng Xiaoping has made public many brilliant expositions such as seeking truth from facts, building socialism with Chinese characteristics, upholding the four cardinal principles, opposing bourgeois liberalization, reforming the economic and political structure, opening to the outside world and developing socialist spiritual civilization. These concepts of Comrade Deng Xiaoping's are a crystallization of the party's experience in practice and collective wisdom, a good example to integrate the universal truth of Marxism with the concrete realities of China, and a significant development of Marxism in China. To assiduously study these important expositions of Comrade Deng Xiaoping's will help us strengthen our understanding of the line which has been in force since the 3d Plenary Session of the 11th CPC Central Committee and the two basic concepts of the line. To study those documents diligently will help the whole party in Shanghai unite as one even more consciously and closely on the basis of the line laid down since the 3d Plenary Session of the 11th CPC Central Committee, do a still better job in carrying out reform and opening to the outside world, and even more effectively build socialism with Chinese characteristics.

To incessantly strengthen positive education, attention should be paid to gearing it to two tasks; that is, gearing it to the task of building the socialist spiritual civilization and strengthening party building. Party organizations at all levels are requested to strenuously explore concrete measures to gear positive education to these two tasks so that continued progress will be made in building the spiritual civilization and the party in Shanghai.

To bring the positive education to people's ears and minds, we have to study means and ways to do so. We may do this by developing two-way dialogues on the basis of the previous report meetings initiated by principal leading

party and government cadres at various levels. That is, we may let some leading cadres and theoretical workers familiar with both Marxism and China's practical situation hold direct dialogues with the masses to answer their questions from real life experiences and to clarify issues concerning their understanding. Such question-and-answer sessions will be more effective in dealing with the issues and also more convincing. Alternatively, we may sum up the problems about thinking and understanding that are representative and common among the masses and have these problems discussed at debate meetings and symposiums attended by backbone theorists and activists in reading and studying. We may also choose some grass-roots units and give them a vivid and comprehensive explanation of the two basic points of the line of the 3d Plenary Session of the 11th CPC Central Committee by reviewing the experience and fruitful results of the reform over the past 8 years. Another alternative is to urge our cadres and masses to carry out a preliminary study of the two books and then hold study experience-exchange meetings to discuss what they have learned and how their thinking and understanding have been elevated through this study to attain the goal of positive education.

To further strengthen positive education, we should particularly grasp three tasks during the second half of this year:

1. Continue to criticize in depth the erroneous viewpoint of bourgeois liberalization and write and publish in a planned way a host of articles to explain the four cardinal principles and criticize the ideological trend of bourgeois liberalization.

Over the past 6 months or so, quite a number of articles criticizing the viewpoint of bourgeois liberalization have been published in Shanghai, but few of them can really move people's hearts and penetrate deep into their minds. According to the guidelines contained in Document No 16 of the party Central Committee, in writing this kind of article, it is imperative to guard against the dull style of stereotyped party writings and simple and mechanical discourse. Instead, efforts should be devoted to in-depth deliberation over the choice of the subject, the contents of the article, the materials and proofs contained in the article, and even the words used in and the length of the article. The aim is to try to turn out a lot of vivid and lively articles that can convince people by reasoning, touch their hearts, and penetrate deep into their minds.

It is a major task for the ideological workers in Shanghai to criticize the viewpoint of bourgeois liberalization advocated by Wang Ruowang and the like. Theorists circles, mass media, cultural workers, and the writing force of institutions of higher learning should share this task and make joint efforts to fulfill it. Meanwhile, the municipal party committee is prepared to assign some backbone personnel to form several studying and writing groups. These groups will carry out earnest studies, discussions, and investigations and write one or two significant and influential articles periodically.

2. Further consolidate, improve, and strengthen the work front for fostering public opinion.

In conducting positive education, newspapers and journals constitute an important work front for fostering public opinion. Comrade Deng Xiaoping has pointed out: "The newspapers and journals of our party should become the ideological center for nationwide stability and unity. Generally speaking, since the 3d Plenary Session of the 11th CPC Central Committee, the vast majority of our newspapers and journals in Shanghai have made some achievements in publicizing the superiority of socialism, Marxism-Leninism-Mao Zedong Thought, and the party's line, principles, and policies. In some aspects, however, their work is inadequate, and there are still problems. Some newspapers and journals have more problems than others under the influence of the ideological trend of bourgeois liberalization. In view of this, earnest consolidation is imperative. As for the concrete plan for consolidating newspapers and journals, both the party Central Committee and the municipal party committee have issued documents, which should be earnestly complied with. During the first half of this year, the Standing Committee of the municipal party committee has held several meetings dealing exclusively with the work of consolidation of newspapers and journals. In the near future, the municipal party committee will listen to reports on this work. It is hoped that the propaganda department of the municipal party committee and the municipal media and publications bureau will grasp this task firmly and successfully in accordance with the principle, method, and demands of the party Central Committee and the arrangements made by the municipal party committee and the municipal government. The work for the second quarter of the year should be the improvement of the age layout of newspapers and journals according to the projected quality and quantity requirements. In the third quarter, the reregistration of newspapers and journals should be completed. Recently the Shanghai Television Station has begun to broadcast jointly with the Second Television Station. It has published to the people of the municipality and "Code of Professional Ethics for Personnel of Shanghai Television Station" and openly asked the broad masses of television audience to supervise its personnel. This is the beginning of a good endeavor in Shanghai's mass media circles, an example worth following and using as a reference by all mass media in the municipality.

(3) Make all-out efforts to strengthen the Marxist theoretical work.

In doing theoretical work, it is necessary to take a clear-cut stand in upholding the four cardinal principles and opposing bourgeois liberalization and to be bold in studying the various new circumstances and questions arising from the practice of building socialism with Chinese characteristics. The contingent of theoretical workers in Shanghai has a sound foundation. Since the 3d Plenary Session of the 11th CPC Central Committee, the broad masses of theoretical workers have contributed positively to discussing the criteria for truth, shifting the focus of work, conducting reform, opening to the outside world, invigorating the economy, and formulating Shanghai's three blueprints; namely, the economic development strategy, the overall urban plan, and the cultural development strategy. On the other hand, however, Shanghai's

theoretical workers do have weak areas, which need to be strengthened. One is that for some time in the past the theoretical work carried out had little to do with the study of theoretical questions concerning reform, and no sufficient effort was made to use the Marxist theory to explain the reason why reform is necessary. The other is that the tit-for-tat struggle against the viewpoint on bourgeois liberalization is not powerful enough. For the sake of an all-around fulfillment of the two basic points of the line implemented since the 3d Plenary Session of the 11th CPC Central Committee, we must strengthen the Marxist theoretical work. This is necessary not only because of the requirement for waging a thorough, sustained, and healthy struggle against bourgeois liberalization and conducting the positive education, but also due to the need for persisting in the policies of reform, opening to the outside world, and invigorating the economy and for building socialism with Chinese characteristics.

To strengthen the Marxist theoretical work, at present it is necessary, in the first place, to integrate the basic Marxist principle with the practice of China's socialist revolution and construction and to enrich and develop the basic Marxist theory concerning the building of socialism. Not only is this an academic question, but more importantly it is a major issue concerning the smooth development of China's work of reform and opening to the outside world and the persistence in upholding the four cardinal principles and continuing the struggle against bourgeois liberalization in a healthy way throughout the whole course of "four modernizations." On the whole, to thoroughly probe the basic theoretical questions is to make clear the characteristics of China's socialist construction at the present stage and the difference between the road of building socialism in China--a country with such a large population and such a poor foundation--and the building of socialism on the basis of a developed capitalist society as expounded by Marx and Engels in those olden days. If these basic theoretical questions are not made clear, it will be impossible to justly and forcefully popularize the measures that have been proven by practice to be conductive to the development of social productive forces. The outcome will be that many good measures cannot be suggested because we are afraid of making suggestions. At this time, there are many basic theoretical questions that the broad masses of theoretical workers should pay particular attention to studying. Examples are: 1) The question of the criterion for socialist productive forces. Clarification of this question will help us do away with the ossified understanding of socialism and the restrictions imposed by such understanding. 2) The question of the initial stage of socialism. What are its salient features? What is its task? How should socialist construction be developed during this stage? All these aspects should be explained theoretically. 3) The question of the planned commodity economy. Facts have proven that socialized mass production will damage productive forces if it is not carried out in a planned manner and according to proper proportions. On the other hand, violation of the law of value will also disrupt the development of productive forces. How should the two be integrated? How should macroeconomic guidance and microeconomic flexibility be realized? How should the planned commodity economy be operated in China, which has such a big market? All these should be explained by using a rough theoretical model, and only thus can our reform have a more clear-cut

direction. 4) The question of building socialism under the condition of opening to the outside world. Due to historical reasons, Soviet socialist construction by and large has been carried out for a long time under a seclusive condition, while we are now proceeding with socialist construction under the condition of opening to the outside world. This is also a new question arising from the development of the socialist theory and practice. Studying and clarifying this question will assist us in further understanding Comrade Deng Xiaoping's thought about building socialism with Chinese characteristics.

Many new circumstances and new problems emerging in the course of the present reform and opening to the outside world urgently need to be analyzed and explained theoretically and scientifically by theorists. We should use basic Marxist principles to study and explore such questions as the question of the socialist partnership system; the question of separating ownership from managerial authority in socialist enterprises; the question of practicing a land lease system under socialist conditions; what role Shanghai should play in the Asia-Pacific region; and how Shanghai should develop an export-oriented economy--whether we should use imported materials to develop export trade, whether we should cooperate with raw material producing localities in China's inland areas, or whether we should practice both. Our theorists should conduct thorough research on these practical questions to facilitate our formulation of correct specific policies.

In order to improve the work of Marxist theoretical studies, our theorists should unite themselves and closely cooperate with each other. It is normal to have differences in understanding in the course of theoretical exploration. For instance, some comrades put more emphasis on the four cardinal principles and attach less importance to reform and opening to the outside world, while other comrades have great enthusiasm for reform and opening to the outside world and put less emphasis on the four cardinal principles. These differences in understanding can be gradually eliminated if we adhere to a principle of integrating theory with practice, regard practice as the sole criterion for examining truth, and uphold the policy of letting a hundred flowers blossom and a hundred schools of thought contend. Those with such differences in understanding should not be likened to the advocates of bourgeois liberalization who want to eliminate CPC leadership, oppose the socialist system, and favor a capitalist system. At present, while the whole party is heart and soul devoted to socialist modernization, our theorists should unite on the basis of integrating the universal truths of Marxism with the building of socialism with Chinese characteristics, study new circumstances, solve new questions, live up to the expectations of the party and the people, create a new situation in Shanghai's theoretical work, and render better service to building the two civilizations.

2. Deepen the Structural Reform, Open Wider to the Outside World, and Further the Campaign to Increase Production, Practice Economy, and Raise Revenues and Reduce Expenditures

The most fundamental task in socialist construction is that of developing the productive forces. In order to develop the productive forces, we must firmly carry out the general principle and policy of reform, opening to the outside world, and invigorating the domestic economy. This policy was not formulated at will. It was formulated in consideration of China's realities. We are building socialism while we still have a relatively low level of productive forces and an underdeveloped commodity economy. To carry out reforms, open to the outside world, and invigorate the domestic economy meets the demand for developing the productive forces and meets the needs of giving full play to the superiority of the socialist system. Comrade Deng Xiaoping emphatically pointed out recently? "To practice socialism we must have well-developed productive forces, because poverty is not socialism. We should uphold socialism. However, to make further efforts to build a socialism which is superior to capitalism, it is first necessary to eliminate poor socialism. Although we are now practicing socialism, we are not in fact sufficiently qualified. Only when we reach the level of countries with intermediate development, in the middle of the next century, can we say that we genuinely practice socialism and can we say, with perfect assurance, that socialism is superior to capitalism. We are now taking this path." We should profoundly comprehend this thinking of Comrade Deng Xiaoping to further our understanding of socialism. Now that we solve this problem of understanding can we correctly understand the two essential points of the line laid down since the 3d Plenary Session of the 11th CPC Central Committee; conscientiously uphold the line, principles, and policies laid down since that plenary session; and build socialism with Chinese characteristics.

While deepening the drive against bourgeois liberalization in a sustained and sound manner, it is also necessary to persist in carrying out reforms, opening to the outside world, and invigorating the domestic economy. Without reform, there would be no socialism with Chinese characteristics to speak of and it would be impossible to realize the strategy for economic development in Shanghai. Only by persisting in, deepening, and accelerating reform will it be possible to further develop the social productive forces. In order to develop the productive forces, we must now create a new high tide in the campaign to increase production and practice economy and to raise revenue and reduce expenditures through practical work. We should not see this currently deepening campaign merely in the general sense of the term. Rather, we should fully realize that this has long been an important magic weapon for China in promoting economic construction. The most significant difference between the current campaign and the similar drive in the 1950's is that the current campaign is combined with reforms. On the one hand, the campaign is continuously creating necessary conditions for carrying out reforms. On the other hand, reforms are constantly adding new vigor and new content to the campaign. This means economic conditions will keep improving and social productive forces will keep developing through reforms. The campaign to increase production and practice economy and to raise revenue and reduce expenditures is the inevitable demand and result of the deepening reform, and the reform serves as the direct motive force of the campaign. Therefore, we must combine all reform tasks, opening to the outside world, and the campaign

closely together so that these tasks will be mutually conductive to each other in order to attain still better results.

(1) Deepen the Reform of the Enterprises To Increase Their Vitality,
Particularly the Vitality of Large and Medium-sized State-owned Enterprises

In its "Decision on the Reform of the Economic Structure," the party Central Committee pointed out: "The first sign of socialism with Chinese characteristics should be that the enterprises under this socialism are full of vitality." The enterprises are a primary undertaker directly responsible for industrial production, construction, and commodity circulation and a leading force behind the development of social productive forces and economical and technological progress. Whether the enterprises, large and medium-sized ones in particular, have vitality or not will have a bearing on the long-term and stable development of the economy and the progress of the drive for the four modernizations. For this reason, emphasis of the reforms in the near future should be placed on deepening the reform of the enterprises to change their operations mechanism; increase the enterprises' vitality; and promote the campaign to increase production, practice economy, raise revenue and reduce expenditures, and increase economic results.

a. Actively promote the contracted operations responsibility system in various forms. This is the key to in-depth development of the campaign to increase production and practice economy, and to raise revenue and reduce expenditures. When he inspected work in Shanghai last April, Comrade Zhao Ziyang said: In order to develop the current excellent situation, alleviate the existing difficulties, and continue to maintain the steady growth of the national economy, it is necessary to really combine the campaign to increase production and practice economy, and to raise revenues and reduce expenditures with the efforts to deepen the reform of the enterprises. It is particularly necessary to invigorate the large and medium-sized enterprises, which are the mainstay of the national economy, and to arouse the initiative of these enterprises and their workers." In carrying out rural reforms, China discovered the fine output-based contract responsibility system, which gave a boost to the successful development of reforms in the rural areas. For urban reforms, we should also find a way that is compatible with the capabilities of the productive forces and readily acceptable to the masses. It seems that, in order to increase the vitality of large and medium-sized enterprises, the adoption of a contract operations responsibility system in its diversified forms will be inevitable. The diversified forms of a contracted operations responsibility system we are talking about now is not entirely identical to the contracted system we experimented with in the early stage of the reform. One vital hallmark of the contracted operations responsibility system is that its purpose is to guide the enterprises to tap their own potentials and perfect their operations mechanism in accordance with the principle of an appropriate division between the ownership right and the operations right. It is necessary to pay attention to the enterprises' immediate interests. But more importantly, we should be concerned about the long-term goal of the enterprises and see what should be done to maintain their capacity for sustained development. In addition, the current contracted operations

responsibility system is connected to the reform of investment and taxation structures in the future. Since the contracted operations responsibility system clearly defines the relationship between responsibilities, rights and profits, it will create the mechanism that can inspire the enterprises and their workers to forge ahead. It will also help enable the enterprises to gradually become relatively independent economic entities capable of being held accountable for their own profits or losses, and will enhance the enterprises' ability to carry out reform and develop on their own.

Based on recent experiments at selected units, four different forms of the contracted managerial responsibility system--namely, those involving comprehensive contracts, contracts for single projects, contracts for realizing objectives of the "double increase, double economy" campaign, and leasing contracts--will be introduced in some 1,700 state-owned enterprises in Shanghai in the near future. Despite differences in form, the contracted managerial responsibility system will set a fixed base figure for profits to be delivered to the state, allowing enterprises to retain above-quota profits but requiring them to make up for deficits on their own. However, to ensure the delivery of revenues to the state, this reform must be carried out by using Shanghai's financial resources, which are limited to 23.54 percent of the total revenues Shanghai is allowed to retain. In view of the huge expenditure, there are indeed difficulties in carrying out the reform at Shanghai's own expense. Therefore, we should broaden our vision and strive to deal with financial strains by exploring more financial resources and increasing our revenues.

B. It is necessary to resolutely implement the three sets of regulations and supplementary circulars issued by the party Central Committee and the State Council concerning reform of the leadership structure in enterprises, and to steadfastly popularize and improve the system whereby factory directors (managers) assume full responsibility. In popularizing the factory director responsibility system step-by-step, Shanghai has increased the number of enterprises trying out the system from 24 to 1,032. Practice shows that the director assuming full responsibility and playing the leading role as head of the enterprise and the representative of the enterprise as a legal person, the system has helped strengthen production and management of the enterprise and overcome low efficiency and procrastination in policy decisions, while enabling the enterprise party committee, which exercises ideological and political leadership through its supervisory role, to strengthen and improve the work of the party, thereby separating the functions of the enterprise administration from those of the party committee. Although remarkable achievements have been made in this experiment, problems remain, and they are reflected mainly in the following two aspects: how to allow a factory director to assume overall responsibility and the party committee to ensure its supervisory role. In order to achieve further unity of understanding, we plan to summarize the experience and identify and solve all kinds of problems in July and August, and then systematically popularize the reform among all state-owned enterprises in Shanghai.

C. It is necessary to consolidate and perfect the reform of administrative corporations, separate government functions from those of enterprises, and facilitate the gradual shift from direct supervision to indirect supervision by the relevant government authorities an comprehensive departments. After administrative corporations are dissolved, it is necessary to organize transregional and transdepartmental blocks and groups of enterprises based on the principle of voluntary participation and the law of economics. To cope with the need of supervising the various trades, it is necessary to set up trade associations that will undertake public affairs and play the role as a bridge between the government and enterprises; and the work of existing specialized sections should be gradually merged into that of comprehensive departments. To facilitate the separation of government functions from those of enterprises, it is also necessary to try out and accumulated experience in reforming administrative authority over enterprise party organizations.

Reform of the planning, circulation, pricing, and labor systems should be carried out with the key of deepening the reform of enterprises in mind; it should go hand-in-hand with a corresponding reform in marketing and macro-control systems. Currently, it is necessary to strengthen the steel market, to further promote financial structural reform, and to develop the money market.

At the same time, it is necessary to continue the reform of the educational system, reform teaching programs and school management, implement the party's principles on education in all fields, and uphold the socialist orientation in running schools so that they can become the basis for building the two civilizations and train more talented personnel for the modernization drive. In carrying out reform of the science and technology management system, it is necessary to further orient scientific and technological research to the needs of economic development and to bring into better play the role of scientific and technical personnel.

In the course of deepening structural reform, it is necessary to publicize the practical results and theoretical advances in reform over the last few years, and to stress the socialist nature of the reform, its necessity, complexity, and difficulty, and the importance of the close relationship between economic development and reform so that the people can realize that the road leading to China's economic invigoration lies in reform.

(2) We must open wider to the domestic market and the outside world, and accelerate both domestic and international economic and technical exchanges.

A shortage of resources, insufficient funds, backward technology and equipment, a poor infrastructure, and the herculean task of revamping an old city are contradictions facing Shanghai's long-term economic development. Our fundamental way out is to carry out reforms well, open up our city, invigorate the economy, and, in accordance with the general requirement of Shanghai's strategy for economic development, open wider to the domestic market and the outside world.

In opening our city to the domestic market, we must make great efforts to develop domestic lateral economic ties according to the principle of mutual benefit. Now that the number of mandatory projects is decreasing step-by-step and guidance planning and the scope of market regulation are gradually expanding, the channels for supply of raw and other materials have changed and will continue to change. We must not simply ask the state for an allocation of materials. Instead, we must continuously strive to develop lateral interarea and interdepartmental economic ties. We must build new channels for the supply of resources to solve the shortage of raw and other materials by following the principle of commodity economy and exchange of equal value and by using various ways, including compensation trade, exchange of commodities, jointly running enterprises, developing bases of raw and other materials, and the dispersal of products.

In opening to the outside world, we must avail ourselves of the current opportunity to integrate the use of foreign funds and resources with the development of foreign markets. Facing current realities, we must firmly grasp the following three aspects: first, we must fully use the State Council's favorable policy for Shanghai. We must conscientiously expand the use of foreign funds. When foreign firms make direct investments in China, we must clearly understand the orientation of their investments. The stress must be laid on industrial projects. It is particularly necessary to encourage investments in those projects involving advanced technology and export products. Second, we must integrate international resources with Shanghai's dominant position in processing industry and make sure that international resources entering Shanghai will turn into exports. Third, we must further readjust our product mix in accordance with the demands and changes on the international market and the requirement of orienting our economy to foreign market.s We must produce, step-by-step, a number of export products that have an impact on the international market and greatly increase the earnings of foreign exchange through exports.

(3) We must arouse the enthusiasm of all departments, and deepen the "double increase, double economy" campaign.

In the second half of this year, the general requirement of the "double increase, and double economy" campaign is not only to fulfill the task of increasing production but also to strive to increase economic results so that we can increase both production and revenue. This is the key to guaranteeing the sustained and steady development of our economy, building up our capacity for further development, and improving the people's living step-by-step. Shanghai's revenue constitutes a large percentage of the nation's revenue. If Shanghai only increases its production but does not increase its revenue, the state's revenue will decrease. Under the current financial system, local financial reserves will also decrease. What must be explained, in particular, is that the tasks of improving the urban infrastructure and speeding up the technical transformation of old enterprises as set in Shanghai's strategy for economic development are all based on the condition that local revenue increase progressively year after year. However, our local revenue in the past few years has been decreasing by degrees. Of course, there are numerous

complex factors in this connection. If we fail to stop as soon as possible the decrease of our revenue, it will be very difficult for us to fulfill some tasks which should be fulfilled during the Seventh 5-Year Plan. This is an outstanding problem which has a great bearing on Shanghai's transformation and development and must have the great attention of the party as a whole in Shanghai.

Today, some comrades think that it is the shortage of raw and other materials and their high prices that has affected the increase of production and revenue. Some comrades think that enterprises have little opportunity to increase production and revenue. Some comrades think that no matter how hard we work, increased production and revenue is out of the question. Some comrades say that since there is a short supply of marketable commodities, it is hard to expand the marketing of commodities. Some of these comrades do not clearly understand the question; some of them have clearly pointed out the problems. It is necessary to guide the former and help the latter solve the actual problems. Fundamentally speaking, these questions are directly related to the poor productive forces in our society, our undeveloped commodity economy, and the many poor relationships in our economic development. We should note that the very purpose of closely integrating the "double increase, double economy" campaign with deepening reform and promoting technical progress is to surmount these difficulties and solve these questions so as to develop productive forces. In addition, by launching the "double increase, double economy" campaign we can also further inherit and develop the fine traditions of arduous struggle, building up the country through thrift and hard work, and carrying out all tasks industriously and economically. Speaking in this sense, launching the "double increase, double economy" campaign now is a new task prompted by the new situation. It has the contents of both material and spiritual civilization. Leading cadres at all levels must all deeply understand the immediate and far-reaching meaning of the "double increase, double economy" campaign, further mobilize the masses, and rely on their wisdom and strength to broaden and deepen the campaign in a sustained way.

Tapping internal potential is a major aspect of the "double increase, double economy" campaign. Industrial enterprises should strive to manufacture fine-quality marketable products in demand at home and abroad, and fulfill and overfulfill the targeted increase in production. They should also strive to accelerate the pace and raise efficiency in the production of the 811 products designated by the industrial bureaus, the 128 key products designated by the Municipal Economic Commission, and a number of products designated by enterprises run by commercial institutions, town and township enterprises, and neighborhood enterprises. This will be of great importance in ensuring market supply, increasing exports and foreign exchange earnings, and broadening our financial resources.

Shortages of raw and semifinished materials have impeded our efforts to increase production. Therefore, it is necessary to increase the supply of raw and semifinished materials through various channels and at all levels. Recently a leading comrade of the State Council reemphasized Shanghai's need

to process imported raw materials for export, clearly stating that Shanghai may use its foreign exchange earned through such exports to import more raw materials. This is a very important policy measure which allows us to utilize our processing industry to promote exports by importing raw materials and to increase cooperation with raw material sources in the interior. At the same time, it is necessary to increase production and raise efficiency through strengthening management, combating waste, accelerating technological progress, and lowering consumption. Construction units should strive to lower construction costs, shorten construction time, and increase investment returns. It is necessary to set conservation targets for key construction projects and use funds sparingly. Rural areas in the suburbs should strive to increase output of farm and subsidiary products to ensure market supply and stabilize commodity prices in urban areas. It is necessary to go all out to supplement summer harvested crops with autumn harvest crops to ensure fulfillment of the annual targeted grain output, as well as to make early preparations for the production and material supply of summer harvested crops for next year. In vigorously supporting industrial and agricultural production, commercial enterprises should encourage consumption in a guided manner, continue to conduct warehouse inventories, do everything possible to market commodities, accelerate commodity turnover, and strive to stop operational deficits. All relevant departments should try their utmost to accomplish the 15 projects for this year. While limiting expenditures, all trades and professions should also try to increase income in order to stop the current downward trend in financial revenues. All comprehensive departments should provide necessary conditions for deepening the "double increase, double economy" campaign. Finance and other comprehensive departments should work together with grassroots enterprises in striving to fulfill the annual targets for increasing production, practicing economy, and ensuring financial revenues. All relevant departments should coordinate efforts in studying and solving problems of certain trades which seriously affect the development and efficiency of the economy as a whole. In short, we must do our job earnestly since much remains to be done in increasing production and revenue.

In the "double increase, double economy" campaign, we should also try to maintain basically stable commodity prices on the market; we must especially strive to strictly control the prices of nonstaple foods. All production units and dealers should refrain from increasing prices in disguised ways and from arbitrarily collecting fees; violators of price regulations should be properly dealt with. The municipal party committee and municipal government called a meeting of leading cadres of all municipal departments, commissions, and offices, and district and county bureaus a few days ago, and at this meeting tasks in pricing work were laid down. All departments must earnestly carry out these tasks. We must strive to keep the margin of increase in this year's retail price index under 6.7 percent.

3. Intensify Party Building, Ensure Implementation of the Party's Line

Shanghai's party rectification tasks have been basically completed, and its party rectification has been concluded. From now on, we must continue to consolidate and develop the achievements in party rectification and carry out

party building on a regular basis. The current main task in party building is to ensure the implementation of the line pursued by the party since the 3d Plenary Session of its 11th Central Committee and to further raise the quality of party building while carrying out reform, opening to the outside world, and invigorating the economy.

First of all, it is necessary to study Comrade Zhao Ziyang's speech and Comrade Bo Yibo's report at the conference to sum up nationwide party rectification work as well as other central leading comrades' speeches, to thoroughly comprehend the essence of the guidelines of the conference, and to implement them in party building in the future. In the second half of this year, efforts should be concentrated on work in the following fields:

(1) We must implement the principle that "the party should manage party affairs" and regard party building as the most important task of party committees at all levels.

Along with the deepening of economic and political reform, party committees at all levels should adhere to the principle that "the party should manage party affairs" in solving problems regarding how to effectively exercise party leadership. It is necessary to eliminate the previous practice whereby party functions were not separated from those of the government, and the party managed many affairs that it should not have managed and failed to manage; to gradually transform the functions of party committees so that they can adapt their work to the new situation arising from reform; to further strengthen and improve party leadership; and to raise the level of party building while carrying out reform, opening to the outside world, and invigorating the economy.

(2) We must strengthen the party's ideological and political work.

Attaching great importance to and continuously strengthening and improving ideological and political work are fine traditions our party has consistently persisted in. They are important guarantees for our party to lead the people to win victories in revolution and construction. In the new situation of making reforms, opening to the outside world, and invigorating the economy, we must strengthen ideological and political work. This is necessary while we conduct positive education against bourgeois liberalization and build socialism with Chinese characteristics.

A. We must clearly understand that the fundamental task in the party's ideological and political work in the new period is fostering a strong conviction among all party members and the people that we intend to build socialism with Chinese characteristics. In the past few years, Comrade Deng Xiaoping has repeatedly elucidated the question of building socialism with Chinese characteristics and proposed two steps to achieve that great goal: The first step is to strive to raise per capita income to an average of \$1,000 by the end of this century so that the people can live a well-to-do life. The second step is to strive to raise per capita income to an average of \$4,000 by the middle of the next century so that China can reach the level of countries

of intermediate development and the Chinese people can be well off together. When that day arrives, people can more clearly see that the socialist system is better than the capitalist system. Thus, China is pointing out the orientation for struggle for three quarters of the human population. We must conduct thorough and painstaking ideological and political work in order to foster a firm commitment among all party members and the broad masses to work hard to achieve this great goal. It is necessary to inspire the vast numbers of party members to develop the spirit of devoting themselves to the great cause and play the role of pacesetters in the great practice of construction and reform.

B. We must bring the role of ideological and political work in education and molding people into full play. We must build up our capacity to resist corrosive influences through construction and making reforms, and strengthen our "immunity" against various erroneous ideological trends. The struggle against bourgeois liberalization has an important bearing on whether we can persist in implementing the party line and policies set since the 3d Plenary Session of the 11th CPC Central Committee. It has a bearing on what kind of future generation will succeed us. It concerns the destiny of our party and state and the future of our socialist cause. In promoting material and spiritual civilization, all party organizations must bring the role of ideological and political work in educating and molding people into full play, strengthen people's "immunity" against all kinds of erroneous ideological trends, raise the party members' quality, raise the people's quality, and train a generation of new people who have lofty ideals, moral integrity, education, and a sense of discipline, and who meet the needs of building socialism with Chinese characteristics.

C. We must explore the law of ideological and political work in the new period, improve our methods of ideological and political work, and improve our methods of persuasion and providing inspiration. In conducting ideological and political work, we must convince people by reasoning with them. We must never force people to do anything. It is necessary to explore the new laws, new methods, and new ways of ideological and political work according to the characteristics of the new historical period. Not long ago the municipal party committee held a discussion meeting of party secretaries of some institutes of higher learning and factories. Participants talked about many new experiences of strengthening and improving ideological and political work. For example, some schools and factories have corrected the habit of depending on only the political departments in doing ideological work, and have enlisted the efforts of leading cadres, administrators, and political workers to jointly do the job. While making efforts to improve their political workers' proficiency in doing ideological and political work, some have mobilized the masses to educate themselves, and guided and depended on them in dealing with ideological problems among themselves. Others have sponsored activities to revitalize China through reading, or set up showcases of socialist ethics. Some schools have instituted 6-year continuous, systematic education or follow-up education. All these new experiences have been proven effective. To further improve the party's ideological and political work during the new

period, all fronts must make an effort to discover and sum up new experiences, and guide their work with good examples.

(3) We must continue to improve party conduct and forge closer ties between the party and the masses.

Thanks to party rectification and our efforts in recent months, party conduct has changed for the better. However, many problems--such as bureaucratic attitudes, neglect of duty, inefficiency, abuse of power to seek personal gains, trying to get things done by giving gifts or establishing special relations, spending public money on dinner parties or gifts, and so forth--still remain. Cadres inside and outside the party as well as the masses have complained much about such irregularities and demanded that they be dealt with quickly. Thus, one major task in building a stronger party is to improve party conduct.

A. We must intensify education in party spirit, ideals, and objectives among party members and help them understand the importance and urgency of proper party conduct. We must clearly understand that the ruling party's conduct is a major issue that has a close bearing on its survival. Without proper party conduct, the party cannot uphold the four cardinal principles or guarantee sound progress in reform, opening to the outside world, enlivening the economy, or building a socialist society with Chinese characteristics. Because an extremely small number of people with ulterior motives have made it a practice to oppose the four cardinal principles and undermine stability and unity by exaggerating problems of party conduct, we cannot deepen the struggle against bourgeois liberalization without good party conduct. Improving party conduct has a significant bearing on improving people's conduct, but we should not always ascribe problems of public conduct to problems of party conduct. Nevertheless, the CPC, as the ruling party, is duty-bound to set an example by taking the initiative in observing professional ethics and combating irregularities in various trades so as to bring about a change for the better in public conduct. Improving party conduct is our party's long-term task and must be accomplished through persistent and unremitting efforts.

B. We must strengthen the party's political and organizational discipline. Party organizations at all levels and each and every party member must maintain a high degree of political and ideological unity with the party Central Committee. They must firmly carry out the party's line, principles, and policies. This means that all instructions must be carried out and all prohibitions must be observed.

C. All leading organs must set an example in serving grassroots units and the people wholeheartedly. To improve efficiency and combat overstaffing, they must firmly improve work style, combat bureaucratic attitudes, and strictly control the number, size, and grade level of existing organizations. We must encourage hard work and plain living, and oppose extravagance and waste. The municipal party committee has already instructed the relevant departments to draw up a code of conduct for government workers. It is now extensively

soliciting opinions concerning rules, which will be promulgated after they have been approved by the municipal party committee.

D. We must firmly implement the guidelines set forth in the Central Discipline Inspection Commission "circular," and continue to combat irregularities in the form of spending public funds on dinners and gifts, or accepting invitations and gifts. All party committees and discipline inspection commissions must intensify the education of party members in fine traditions and work style, and firmly implement all instructions of the party Central Committee, the State Council, the municipal party committee, and the municipal government on banning extravagance and waste. Except when necessary to normal economic contact, no more dinners should be held and no more gifts should be given from now on. Parties for promoting economic ties and friendly contacts with other provinces and municipalities should be as simple as possible. No cadres may accept invitations from lower-level departments to dinner parties, or accept gifts from them. Enterprises may host receptions necessary for promoting economic contacts, but such receptions must be based strictly on the principle of "necessity, reasonableness, inexpensiveness, and simplicity."

(4) We must continue to improve the party organization and system.

A. We must firmly operate according to the party constitution and "Guiding Principles for Inner-Party Political Life." Genuinely improving and adhering to the party's democratic centralism is the key in building party organization.

B. Organizational activities and democratic-life meetings of leading bodies must be held at regular intervals. Inner-party life must be ideological and political, and must reflect a sense of principle. Party members must make criticism and self-criticism, and they must readily expose and deal with problems within the party. Leading party cadres must lead a dual organizational life: They must accept the supervision of party members as well as party organizations. By no means should they think that they are special party members. It is understood that bureaus and higher departments in Shanghai attach great importance to inner-party democratic activities, and they are making efforts to uphold and improve the system. I hope they will persist in doing this so that the system will improve gradually. Party committees of all government organs should play an important role in supervising, educating, and administering party members.

C. We must uphold all those effective systems that have been reinstated, strengthened, or established during party rectification. In addition to the party's organizational and operational systems governing the party's organizational activities, democratic life, and the study of party experience and other subjects, we must make great efforts to improve and formulate systems governing such cadre affairs as election, recruitment, admission, appointment, dismissal, training, evaluation, impeachment, rotation, retirement, authority, and wages, as well as awards, penalties, exchanges of visits, and things they should avoid [hui bi 0932 6699]. There should also be

a system governing supervision from the masses. When we have all these systems, we all will be controlled by them and will work according to their guidance, and our party and its combat effectiveness will both become stronger. Our organization departments have already accomplished a greater deal of work and achieved preliminary success in this regard. It is hoped that they will continue to work hard and do an even better job.

Comrades!

Our work during the first 6 months has been successful, but the tasks for the next 6 months are formidable. In addition to those we have mentioned, a great deal of work has to be accomplished in the judicial, united front, foreign, educational, scientific, technological, cultural, art, journalistic, publishing, theoretical; public health, and sports departments as well as in various mass organizations. Much preparatory work must also be carried out for the reelection of the municipal people's congress and municipal CPPCC committee next year. Under the leadership of the party Central Committee and the State Council, we must mobilize all party members and people in Shanghai to work in unity with one heart and one mind and greet the convocation of the 13th party congress by intensifying positive education in combating bourgeois liberalization, deepening reform, opening to the outside world and enlivening the economy, and pushing the "double increase, double economy" movement to a higher level!

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CSO: 4005/863

JIANG ZEMIN ON BUILDING RURAL POLITICAL POWER

OW161141 Shanghai City Service in Mandarin 2200 GMT 15 Jul 87

[From the "Morning News" program]

[Excerpts] The municipal party committee and government held a meeting in Shanghai County on 15 July to discuss the building of grassroots political power in rural areas. It was pointed out at the meeting that reform and opening to the outside world should be put in the first place in building rural grassroots political power and that the functions and powers of township governments should be brought into effective play so as to promote and ensure rural reform and economic development.

Jiang Zemin and Wu Bangguo, leaders of the municipal party committee and government, attended the meeting and delivered speeches.

Wu Gangguo said in his speech: We should follow the principles that the party should take care of party affairs in reasonably dividing the work between the party and government so that township and town governments will really become primary organs of political power that can exercise their functions and powers independently. In addition, we should see to it that the functions and responsibilities of the government are separated from those of the enterprise so that each will have its own duties. The functions and power of township and town governments should be strengthened, while efforts should be made to gradually breakdown the barriers between departments and regions and change the phenomenon of many departments doing the same administrative work.

Addressing the meeting, Comrade Jiang Zemin said: The target for strengthening grassroots political power in rural areas is to turn it into a primary political power capable of maintaining close ties with the masses; wholeheartedly serving the people; effectively leading and managing the political, economic, cultural, and all other work of the township or town concerned. To meet this target, Comrade Jiang Zemin set forth three demands to be fulfilled.:

It is necessary to build rural grassroots political power into a vigorous one, raise its consciousness of reform and opening to the outside world, and persistently put these two things in the first place in building grassroots political power and in other work.

It is necessary to build rural grassroots political power into an authoritative one, enhance its sense of the legal system, and earnestly strengthen the legal system concerning rural grassroots political power.

It is necessary to build rural grassroots political power into an effective and capable one, increase its sense of serving the people, and do a really good job of strengthening township and town people's governments.

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CSO: 4005/863

SHANGHAI CPC REPORT ON PARTY RECTIFICATION

OW211452 Shanghai JIEFANG RIBAO in Chinese 15 Jul 87 pp 1, 2

[Shanghai Municipal CPC Committee "Report on Party Rectification in Shanghai"
--dated 26 Jun 1987]

[Text] Under the leadership of the party Central Committee and the Central Party Rectification Guidance Commissions, and in accordance with the "CPC Central Committee Decision on Party Rectification," Shanghai started to rectify its party organizations in November 1983. The project ended in May 1987 after 3 and 1/2 years. Reviewing the process and properly examining the results in the spirit of seeking truth from facts has significant, positive effects on strengthening the party in the future.

I. The Process of Party Rectification

After the 3d Plenary Session of the 11th CPC Central Committee, the party began to shift the focus of its work to socialist modernization. Addressing the opening ceremony of the 12th National Party Congress in 1982, Comrade Deng Xiaoping, in no uncertain terms, called on all party members and people throughout the country to "integrate the universal truths of Marxism with China's actual situation, adhere to its own course, and build a socialist society with distinctive Chinese characteristics." When the 2d Plenary Session of the 12th CPC Central Committee decided to rectify the party organizations, the restructuring of the economic system was already underway in the rural areas and had just started in the urban areas. To keep pace with and enhance the development of the situation, Shanghai faced a complex and formidable task that required all party organizations, cadres, and party members in Shanghai to heighten their consciousness, emancipate their minds, be brave to explore, and open a new situation in all fields. However, Shanghai was where the "Gang of Four" rose to power and where they had painstakingly developed for a decade. Although we did a great deal of work to set things rights in the ideological field, restructured all bureaus and higher-level units throughout Shanghai following the 3d Plenary Session of the 11th CPC Central Committee, and accomplished the necessary ideological and organizational preparations for party rectification, the influence of the 10-year-long internal chaos could not be completely eliminated in a short time. Impure ideology, organization, and work style as well as indiscipline were still rather serious among party members, and many misdeeds had to be righted. In particular, the task of getting rid of the "three types of persons" emerged

during the "Cultural Revolution" was still heavy, the longstanding "leftist" influence was deep-rooted, and interference frequently appeared from the right. All these obstructed implementation of the lines, principles, and policies adopted since the 3d Plenary Session of the 11th CPC Central Committee. Thus, party rectification was carried out at a time when party ideology, style, discipline, and institutions had been more seriously ravaged than even before and when the party's high prestige was seriously impaired after the 10-year "Cultural Revolution." It was also carried out when people in our country were more mentally active than ever before, when efforts to reform and open to the outside world were gaining momentum, and when new situations and new problems kept cropping up. This historical background should not be ignored when we review Shanghai's party rectification.

Shanghai's party rectification proceeded from upper to lower departments and in groups and by stages. Over 65,000 party members took part in the first stage's first and second groups, which included four municipal-level leading bodies, leading organs of a total of 203 departments, commissions, offices, districts, counties, and bureaus, and some colleges and scientific and technical research institutes selected for the experiment. This stage, which lasted approximately 16 months, emphasized the need for members of leading organs to thoroughly study the guidelines set forth by the 3d Plenary Session of the 11th CPC Central Committee and to heighten their consciousness for maintaining high degree of political unity with the party Central Committee; emancipate their minds, pluck up their spirit, and open a new situation for reform, opening to the outside world, and the work in various other fields; and combat bureaucraticism, change their workstyle, obey law and discipline, and set an example with personal deeds. The first and second groups of the second stage involved 400,000 party members of over 9,000 units, which were mostly bureau-level units, and a large number of department-level units and companies, large and mid-size enterprises, and bureaus under county administration, as well as urban neighborhoods, organs to townships and towns in rural areas. Most of the units of these two groups were among those on the forefront of economic construction and reform, forming a connecting link between what had been accomplished and what was to be accomplished. This stage, which lasted 3 to 9 months, emphasized the need for education in party spirit and the need to combat irregularities, to closely integrate party rectification with reforms and opening to the outside world, to serve the basic-level units, and to strengthen the combat readiness for leading bodies. Over 400,000 grassroots party members of more than 16,000 units took part in the third, fourth, and fifth groups of the second-stage party rectification, which covered an extensive area and a large number of people of all categories. This stage, which lasted 3 to 6 months, emphasized education in the party's ideals and objectives; encouraged party members to be qualified members, vanguards, and models rendering practical and good service to the masses; seriously handled bad people who infringed upon the masses' interests; and improved public conduct by means of good party conduct.

During the past 3 or more years of party rectification and in accordance with the four basic tasks of party rectification, we mainly accomplished the following:

1. Seriously studied documents and mastered ideological weapons well.

In the course of party rectification, the municipal party committee repeatedly stressed seriously studying documents and mastering ideological weapons. At the beginning of party rectification, the municipal party committee pointed out that to ensure that party rectification would not be perfunctory--it was necessary that our study not be perfunctory--and laid down eight requirements for the leading groups, to ensure that their study would not be perfunctory. Leading cadres of units at and above the bureau level were released from their regular duties to study the documents. Grassroots party members were organized to attend party classes on a rotating basis. The study activities enabled everyone to better resolve their ideological problems and raise their consciousness in party rectification.

While deepening their study and enhancing their understanding, party organizations at all levels carried out investigation and study, widely heard views both from within and outside the party, engaged in discussions while studying, sorted out major problems that should be solved in party rectification, checked and compared the results among different units and individuals, and informed their respective departments or units of the situation of the party rectification.

To unify thinking in accordance with the four basic requirements of party rectification and the shifting of party work emphasis, a majority of units stressed socialist orientation and important policies regarding professional work in the various departments, thereby clearing away ideological obstacles in the interests of reform and opening to the outside world. However, at one time, we lopsidedly stressed only professional work because we were under the influence of the idea that exclusively stressed "correcting the guiding ideology of professional work."

During the first phase of party rectification and study we set aside a period of time to study the important speeches of Comrades Deng Xiaoping and Chen Yun at the 2d Plenary Session of the 12th Party Central Committee, calling for combating spiritual pollution. Thus, we realized that spiritual pollution essentially means spreading all sorts of decadent and declining ideas of the bourgeoisie and other exploiting classes, as well as the idea of lacking confidence in the socialist and communist cause and in the leadership of the Communist Party. Opposing spiritual pollution is an important part of rectifying party ideology. While studying to enhance our understanding, we also stressed the job of banning reactionary and obscene video and audio tapes, books, pictures, and other obscene objects. Regrettably, this work was later interrupted. For various reasons--and also because of our lack of understanding of the seriousness and danger of bourgeois liberalization and the weak links in our ideological and political work--a few college students staged an upheaval at the end of last year, in conditions wherein bourgeois liberalization was rampant. The lesson we learned was profound.

2. Launched education to thoroughly negate the "Great Cultural Revolution"

During the various stages of party rectification, the various units stressed thoroughly negating the "Cultural Revolution" had a direct bearing on the smooth fulfillment of the four tasks of party rectification, as well as on the all-round implementation of the party line since the 3d Plenary Session of the 11th CPC Central Committee. They all organized party members to restudy the "Resolution on Certain Questions in the History of our Party Since the Founding of the People's Republic" and called on them to thoroughly negate the "Cultural Revolution" in theory and practice and in ideology and personal feelings. While promoting study, many units also carried out "two comparisons" activities, that is, comparing the erroneous theory of "continuing the revolution under the dictatorship of the proletariat" with the line, principles, and policies adopted since the 3d Plenary Session of the 11th CPC Central Committee and comparing the serious calamity caused by the "Cultural Revolution" with the achievements of reform and opening to the outside world since the 3d Plenary Session of the 11th CPC Central Committee. In light of the major incidents that took place in the units during the "Cultural Revolution," many units succeeded in distinguishing between right and wrong and deepened their understanding. Recalling that only one faction was in power during the "Cultural Revolution" and that during the "Cultural Revolution" a faction of party members maintained that theirs was the "only correct faction" while another faction maintained that "everyone was correct," some units organized party members to analyze the line, policy, targets, methods used, and aftermath of the "Cultural Revolution," enabling everyone to understand that both factions, including their "workers propaganda teams," "special case groups," "clearing teams," and "special case material," were all products of the erroneous line of the "Cultural Revolution" and should all be negated. All these efforts played an important role in thoroughly negating the "Cultural Revolution," eliminating factionalism, and strengthening unity.

During the individual examinations, a vast number of party members more or less rectified their ideology, examined the influence of "left" ideas on their thinking, reexamined their conduct during the "Cultural Revolution," and summed up experiences and lessons. With their understanding thus enhanced, those comrades who committed minor mistakes during the "Cultural Revolution" were able to unload an ideological burden from their heads.

3. Enhance the Education of Party Spirit

The education of party spirit has been the central link in party rectification. Therefore, at the second stage of party rectification, we must pay special attention to education in party spirit. Units in the first stage of party rectification even added an extra program in education on party spirit prior to its conclusion.

The communist ideals and the concept of serving the people should be greatly stressed during education in party spirit. In order to enhance the "weakening beliefs" and "vague ideals" of some party members, and to clear up worries some have about reform and opening to the outside world, the leading

comrades of many prefectures, counties, and bureaus have personally given party training lectures. Some units have even organized lecture groups consisting of veteran comrades from second and third lines to popularize education in party spirit in grassroots units, the streets, townships, and towns. Some units sponsor forums to discuss questions, such as "Is the spirit of willingness to sacrifice one's personal interests obsolete?"; "How should a Communist Party member view the idea of 'being taken advantage of'?"; "The relationship between economic interests of a department and social effect [she hui xiao guo 4357 2585 2400 0948];" and "The relationship between implementing the policy of opening to the outside world and adhering to the socialist road, as well as promoting patriotism" in order to promote self-education among party members and enhance their ideological understanding.

During the course of popularizing education in party spirit, the whole city launched extensive activities in connection with this aspect, such as learning from comrades Hua Yi and Yang Huaiyuan and hearing reports of heroes and model personages. Each department also engages in activities to select outstanding party members and advanced party branches and to praise good people and deeds. Every department tries to create a favorable atmosphere for party members to learn from advanced personages by urging them to review their application for party membership, pay visits to the site of the first party congress and the martyrs' mausoleum, watch educational movies, and look for "sparkling lights" around them in order to inspire others with what is at hand. At the same time, it is useful to show negative examples of law violations by individual party members and cadres to the vast number of party members, so that they can learn a lesson from such cases, thus keeping a clear mind in the new era of reform and opening to the outside world.

In the course of grassroots party rectification, we have launched various activities--such as striving to be a qualified party member and glorifying the party flag, serving the people, and making contributions to reform--and have attached great importance to serving the masses with actual deeds in order to fulfill the true nature of a Communist Party member. Therefore, a great number of good people and deeds have emerged during the course of party rectification, further enhancing relations between the party and the masses.

4. Investigate and Handle Cases of Grave Importance

Units of the first stage of party rectification concentrated on investigating and handling a group of cases of grave importance and some problems that the people were most concerned about, in accordance with the guideline of the circular issued by the Central Commission for Guiding Party Rectification in 1984. Party committees at all levels rather seriously investigated and handled those salient problems exposed in the course of second stage of party rectification. Among these cases and problems are incomplete investigation of serious errors committed by cadres at and above bureau level during the Cultural Revolution; framed and mishandled cases from that period that have not yet been redressed; great economic losses caused by bureaucratic practices; abuses of power in terms of practicing favoritism in hiring people;

and other grave law violations such as embezzlement, bribery, smuggling, and tax evasion.

While investigating and handling cases of grave importance, we should stress the system of party committees assuming full responsibility, letting leading cadres undertake work personally, and organizing special groups to be in charge of work. We should also call for cooperation from all quarters, pay attention to the implementation of policies, attach importance to evidence, and dare to meet any obstruction, thus conducting a thorough investigation. It is also necessary to teach party members and the masses using typical cases of law violation cases.

5. Correct Mistakes While Carrying out Party Rectification

As soon as party rectification started, we put forward the idea of correcting mistakes while carrying out party rectification and called on those units that had not started party rectification to correct mistakes before carrying it out and to carry out the guideline of correction and rectification through the whole process of party rectification. During the first stage of party rectification we firmly fulfilled the Central Discipline Inspection Commission's call for curbing the corrupt practices of certain party members and cadres in housing distribution. Different punishments, such as returning extra houses and paying additional rent for extra housing areas, have been meted out to those party members and cadres taking part in corrupt practices in housing distribution. As party rectification has proceeded more profoundly, all departments have corrected mistakes, such as some units violating party policies and discipline and damaging the interests of the nation and the people, while carrying out party rectification. These mistakes include smuggling by road and boat, tax evasion, asking for extra benefits through abuse of power, damaging consumers' interest by the surly manner of "government businessmen," and long delays in payments and occupation of extra housing areas by some party members and cadres. In April 1984 the whole city mobilized about 10,000 cadres within the span of 3 months to investigate serious economic problems resulting in great losses through bureaucratic practices and mismanagement. Each department and unit has to some extent investigated and handled or corrected the aforementioned problems. However, some units have achieved better results by making more effort while others continue to make the same mistakes after correcting them. Continuous efforts should be made for further solutions to these problems.

In light of the unhealthy practices of party and government cadres to run businesses and enterprises, give dinner parties and present gifts with public funds, indiscriminately issue bonuses, five special investigation groups were organized in December 1984 to put forward relevant policies and work out corrective measures. In accordance with the circular issued by the central authorities on solving the several serious problems with regard to the workstyle of party and government cadres at that time and on the basis of the guidelines given by the responsible comrades at the central level in their speeches at the meeting of cadres of central organs, various departments worked out measures between the end of 1985 and the beginning of 1986 to

correct the six different types of unhealthy practices after conducting various checkups. As far as actual results were concerned, achievements were made in correcting the unhealthy practices of the party and government organs and cadres in doing businesses and running enterprises, in touring scenic spots and purchasing expensive cars with government funds, and in vying with each other in going abroad. However, results were not so significant in combating malpractices among the party and government cadres to give dinner parties and present gifts with government funds.

While correcting the various types of unhealthy practices, we called for efforts to perform good deeds for the masses, help the people, and foster new style of work. During the various stages of party rectification, particularly in the second stage, many units tried their best to solve problems for the masses concerning mess halls, childcare centers, toilets, public transportation and road repair, winning widespread support from the masses.

6. Strengthen Building of Leading Bodies at All Levels

In the course of conducting party rectification, we always paid attention to the building of leading bodies. We called on the members of all leading bodies to set good examples for others to follow. While studying issues of party rectification, measuring oneself against the standards of a communist, carrying out party education, or conducting criticism and self-criticism, we always imposed stringent demands on ourselves. Particularly during the second stage of party rectification, the party committees at the higher levels checked and analyzed the leading bodies of various units in the preparatory period. Those that were unable to solve their own problems had to be strengthened and readjusted first before they underwent party rectification. At the same time, we regarded party rectification in leading bodies as an important step. We had to do a good job in rectifying leading bodies and then try to solve problems for the rank-and-file party members. In conducting party rectification at small enterprises, in nearby neighborhoods, and party and government organs at town and township levels, the party organizations at the higher levels exercised direct leadership, trained members of the leading bodies and party members at and above the party committee level, and regarded the training of backbone cadres as a necessary step in carrying out party rectification. During the late-stage of party rectification, we paid full attention to strengthening leading bodies organizationally and setting up and improving the various systems in helping party committees carry out their work well and the leading bodies strengthen their militancy.

In the course of conducting party rectification, various units paid much attention to the issue of unity and cooperation between the old leading groups and the new ones and between the old cadres and the new ones. All old comrades gave enthusiastic support of the new leading bodies in doing their work. They held themselves responsible for the problems in the past and helped the new leading bodies temper themselves and grow in the course of conducting party rectification.

7. Implement the Party's Various Policies

In carrying out party rectification, the party organizations at all levels carefully reviewed how the series of policies laid down by the central authorities since the 3d Plenary Session of the 11th CPC Central Committee on eliminating chaos and restoring order were being implemented. At the same time, the various departments concerned of the Shanghai Municipal CPC Committee and the municipal government took the lead to organize special forces in providing supervision and carrying out inspections and helping solve specific problems and implement various policies. For example, on the issue of implementing party policy toward intellectuals, there were many problems due to the influence of the "leftist" ideas. Therefore, the intellectuals were not so enthusiastic in doing their work. During the first stage of party rectification, the Leading Group on Implementing the Policy With Regard to Intellectuals, the General Office for Party Rectification, and the Organization Department of the Municipal CPC Committee pooled their efforts in organizing 50 inspection teams to inspect some 100 units where the policy toward intellectuals was being implemented. They popularized the methods used by those units which were good in implementing this policy, while helped backward units improve their work. The party organizations at all levels conducted education among cadres and party members on the party policy toward intellectuals and on its principle of "respecting knowledge and educated people." Many comrades realized that it was essential to show concern for the livelihood of intellectuals in the political field, particularly in assigning them to the proper posts; to further bring into full play the role of intellectuals in the development of the modernization program; and to improve our work in dealing with intellectuals. As a result, the issue of intellectuals "experiencing difficulties to join the party" was basically solved.

8. Party Organization and Member Registration Work

To keep abreast of party policy and prevent interference from both "left" and right, from the very beginning of party rectification, we carried out investigations and made preparations for party policies. An investigation into the inner party situation was carried out to analyze the ideological, workstyle, and discipline situation of the contingent of party members.

During the work of registration of party members, we paid attention to distinguishing party members who could not play the role as vanguards or models because of their low political consciousness, from those who were backward and passive and would have a negative impact on the masses. Regarding party members with low political consciousness, we enthusiastically helped and educated them, aroused their political consciousness, and gave them another chance to become qualified party members. With regard to those party members who would have a negative impact on the masses and who would not admit their mistakes even after being educated, we either did not allow them to register or took disciplinary measures against them.

To do a good job in party member registration and party organization work, party rectification offices in units at and above the county or regimental level appointed special personnel to study and keep abreast of party policies and unify policy thinking. The Party Rectification Office of the Municipal Party Committee issued strict regulations which required that expulsions from party must be reported to party committees at and above the county or regimental level for examination and approval.

9. The Work of Checking and Investigating the "Three Kinds of People"

The work to check and investigate the "three kinds of people" in Shanghai is a follow-up of the work which was started after the downfall of the "Gang of Four." Because Shanghai was the base of the "Gang of Four," party organizations at all levels seriously carried out the central authorities' policy on checking and investigating the "three kinds of people." In practice, party organizations at all levels always upheld the principle of seeking truth from facts, kept in mind the work emphasis, and focused their attention on the "three kinds of people" and persons who had committed serious mistakes, on major cases or incidents, on leading bodies at all levels, on key departments, and on third-echelon personnel. They strictly carried out checks and investigations to plug loopholes and prevent mistakes. After investigating cadres and writing major events of the "Cultural Revolution," they conducted thoroughgoing investigations by following clues and doing meticulous work. They based their investigations on facts and regarded the policy as their yardstick. They followed the principle of "facts lead to people, people lead to facts, apportion responsibility according to facts, and ascertain the nature of a case according to the responsibilities."

In the past several years, party committees at all levels in the entire municipality seriously implemented the party committee responsibility system of the unit in charge of conducting checks and investigations formulated by the municipal party committee. They continually unified the policy and ideology, strictly followed trial procedures, pioneered in checking and investigation methods, carried out "self-investigation and mutual investigation," concentrated on units that did not perform well in this work, examined and approved the results of checks and investigations unit by unit, and strictly checked the work of every unit. The Party Rectification Office of the Municipal Party Committee also set up a special group for major cases and organized units concerned to carry out special investigation and handle cases involving former principal responsible comrades of the municipal party committee and the municipal people's congress who were seriously persecuted during the "Cultural Revolution" and to deal with other major cases one by one. All these effectively ensured the correct implementation of the central authorities' principle and policy on checking and investigation work.

II. Basic Results and Main Shortcomings

This party rectification has achieved the following basic results:

1. We have reached a common understanding and further promoted our work.

Thanks to party rectification, our party line implemented since the 3d Plenary Session of the 11th CPC Central Committee has taken deeper roots in the minds of the people. Our vast numbers of cadres and party members have come to understand that since the 3d Plenary Session of the 11th CPC Central Committee, our party has, after eliminating chaos and restoring order, laid down again the correct ideological, political, and organizational line, which is a correct ideological, political, and organizational line, which is a correct line formulated after we summed up both positive and negative experience and integrated it with China's realities under the guidance of the basic theory of Marxism. Without this line, it will be impossible for us to build socialism with Chinese characteristics. As a result, we now believe all the more firmly in the party Central Committee's correct leadership and further raise the level of our consciousness of identifying ourselves politically with the party Central Committee. Our vast numbers of cadres and party members have pointed out: Over the past several years, we have been able to implement our party line and policies and achieve very great results. All this is inseparable from party rectification which enables us to reach a common understanding.

During the period of party rectification, we have always paid attention to correctly handling the relationship between party rectification and the task of making reform, opening to the outside world, and doing economic work. By thoroughly negating the "Cultural Revolution," we further eliminated the aftermath left over by the 10 chaotic years, greatly strengthened the political and ideological unity of the whole party, and developed the enthusiasm of vast numbers of party members for promoting material and spiritual civilization. After studying the line and policies implemented since the 3d Plenary Session of the 11th CPC Central Committee, we have deepened the understanding of making reform, opening to the outside world, and invigorating the economy. Persisting in making reform, opening to the outside world, and invigorating the economy and vigorously developing socialist planned commodity economy are the only way to build a modern and highly civilized and democratic socialist state. While implementing the guiding ideology of promoting reform and economic work through party rectification, party organizations at all levels have paid attention to integrating reform with the realities of economic work, created conditions for reform and economic development, eliminated obstacles, and strongly pushed forward the work of making reform, opening to the outside world, and invigorating the economy in Shanghai.

2. We Have Further Purified Our Organizations

Party organizations at all levels in the municipality have made common efforts to surmount difficulties and obstacles and fulfilled the task of checking the "three types of people." In addition to the more than 10,000 people tracked down and dealt with before the party rectification began, Shanghai ferreted out another 4,700 people for checking in a 3 and 1/2 year period up to the end of last May. A number of "three types of people" and people who had committed serious mistakes were discovered among them. We have achieved very great results in checking "three types of people."

Thanks to checking, what the leading group members at and above the county and regiment levels and those of large and medium-sized backbone enterprises did during the "Cultural Revolution" have been basically cracked. The absolute majority of those held responsible for serious cases have been dealt with. Personnel of Shanghai's institutes of higher learning who were put on record were all basically investigated and tried. The principal members of the "writing groups" and other organizations which the "Gang of Four" relied on were basically identified and dealt with. The practical results achieved through checking have guaranteed the purification of organizations, observance of strict party discipline, reshuffle of leading groups at all levels, and promotion of a stable and united political situation.

The process of checking "three types of people" was actually also a process of continuously seeking unity of thinking. At the beginning, some comrades had the idea of "letting bygones be bygones," "making friends instead of enemies," and unilaterally cherishing talents. They also had fear of difficulty. All this was gradually solved after the implementation of the system of party committee assuming full responsibility and the deepening of education in thoroughly negating the "Cultural Revolution."

On the checking task carried out in the past several years, though the municipality dealt with more than 4,000 people after determining the nature of their offenses, there has been no unrest in society. Nor has anyone obtained confessions by coercion and given them credence. Nobody has fabricated evidences; neither have family members been involved in criminal cases of "three types of people." This is unprecedented compared with other political movements launched since the founding of the republic. Moreover, the checking of "three types of people" have further developed the victims' and their family members' enthusiasm, enabled the masses to distinguish between right and wrong, relieved those who made common mistakes from anxiety, further eliminated the hidden danger within the party, and further enhanced the party's prestige.

However, we must continue to maintain vigilance and fighting spirit. Leaders of a few units have so far adopted a soft attitude or procrastinated in checking people with serious problems, or have given lenient punishment to such people. A handful of units that have failed to do their job earnestly and maintain political vigilance may have left out individual "three types of persons." We must keep our heads cool and take a firm attitude in handling "three types of persons" whenever they are discovered.

3. Leading Bodies at All Levels Were Tempered

The party rectification campaign was unfolded following the readjustment of leading bodies and succession of new cadres to the old. In the course of party rectification, leading bodies at all levels were further replenished and strengthened in line with the principle of promoting younger, better educated, and more professionally competent and revolutionary cadres. As a result, the leadership structure was improved and fighting capacity enhanced. After assuming their posts, new leaders at various levels, who lacked experience and

ideological preparedness, were given a good opportunity of performing difficult tasks in reform, rectification, and the work in other fields, which were new to them. In this way, leaders were tempered.

Through party rectification, the quality of leading bodies at various levels has been improved in varying degrees. Displaying the realistic ideological line and progressive leadership style and ideological and work methods, most leading bodies were full of vigor and willing and daring to work hard. They combined pioneering spirit with realistic attitude, and attached great importance to ideology, policy decision, general political principles, and fact-finding study and investigation, thereby raising their leadership level and command. Members of leading bodies in most units conducted earnest criticism and self-criticisms, intensified coordination and unity, enhanced their sense of serving the grassroots and the masses, and fostered closer relations between the party and the masses and between cadres and ordinary people. Some leading bodies overcame their shortcomings such as unfamiliarity with situation, passiveness, chaotic management, and feebleness.

4. Party Spirit Was Enhanced and the Quality of Party Members Improved

The vast number of party members came to realize that the line pursued by the party since the 3d Plenary Session of its 11th Central Committee is to build socialism with Chinese characteristics, and that the work of all departments must definitely be conducive to building socialism with Chinese characteristics. They deepened their understanding of the necessity of upholding the four cardinal principles and sticking to the reform and open policy, and increased their awareness in implementing Comrade Deng Xiaoping's important instruction on building socialism with Chinese characteristics. They also realized that dedication to reform in the new historical period is a major manifestation of one's party spirit, which must be tempered in the course of reform.

The vast number of party members enhanced their sense of serving the people wholeheartedly, realizing that serving the people is the party's ultimate goal and an unshirkable duty of all communists. Displaying the party's fine traditions, party members performed concrete service for the masses in the course of party rectification; in party rectification at the village level, a large number of party members helped the poor and led the masses on the road toward common prosperity. Most party members set higher demands on themselves, enhanced their sense of organization and discipline, and played the exemplary vanguard role of the communists.

While striving to raise the quality of party members, we also took organizational measures toward basically unqualified and unqualified party members, thereby further purifying and strengthening party organizations. Some units assumed a lax attitude toward organizational measures. Unqualified party members who continue to remain in the party should be further educated or handled by organizational measures in the course of improving party organizations from now on.

In the 3 years during the party rectification, 143,362 new members were inducted, and they infused new blood and vitality into our party.

5. The Party Style Was Further Improved

In party rectification, the three major workstyles of linking theory with practice, forging close contacts with the masses, and making criticism and self-criticism were restored and promoted. In their work, party organizations at all levels paid more attention to investigations and studies, proceeded from the actual situations of their units and departments, set correct work directions and methods, and prevented formalism.

Efforts were made to use party rectification as a medium for seeking a common understanding, overcoming the "leftist" resistance, and promoting and expediting the implementation of the party's various policies, thereby arousing the initiative of all quarters and furthering political stability and unity.

The party committee's democratic centralism was further refined and strengthened, with most of the party organizations stressing collective wisdom in deciding on major issues. Signs of "the patriarchal system" and "domination by a single person" have decreased, with a corresponding increase in criticism and self-criticism. Greater scope was given to the enthusiasm, initiative, and creativity of the leading bodies of most of the units.

Party committees at all levels strived to implement the party style responsibility system, thereby initiating a trend in which the entire party worked to improve the party style. Through the efforts to solve serious cases in which party cadres and party members sought personal gains by abusing their powers and violated the law and discipline, it was possible to basically rein in the new unhealthy tendency in which cadres from party and government organs engaged in business and ran enterprises and to bring a turn for the better in the party style.

6. Experience Was Gained in Party Building and Ideological and Political Work in the New Period

In this party rectification drive, we steadfastly implemented the principle of "solving problems without messing up things" as proposed by the central authorities, and consistently paid attention to preserving and developing the excellent situation marked by political stability and unity.

Leading cadres at all levels worked hard to learn the methods of correctly handling inner-party contradictions under the new historical conditions, thereby eschewing the "leftist" mistakes of past political movements. After the party rectification, the broad masses of party members were able to feel relieved, and there were no ensuing problems whatsoever.

In order to ensure and promote reform and openness and to further economic development and other tasks, we have always emphasized the need to solve

ideological, organizational, disciplinary, and workstyle-related problems within the party and to correctly handle the relations between politics and economics on the basis of the interactions between the two.

In promoting policy understanding, the focus was on improving the understanding of the majority of party members and uniting and encouraging them to join in the move. At the same time, efforts were made to uphold relevant principles, enforce discipline, and handle a handful of cases that needed to be handled without toleration or accommodation. Attention was paid to preventing "leftist" propensities and rightist interferences.

In conquering and resolving the seamy side of the party, attention was paid to promoting the positive factors within the party, encouraging the advanced, commanding good people and good deeds, fostering healthy tendencies and eliminating unhealthy ones, and improving ideology.

We made a point of proceeding from reality by providing different guidance to different levels and departments and avoiding equal treatments. Prior to the party rectification, every unit conducted investigations and studies for the purpose of making ideological and organizational preparations and collecting relevant data. Attention was paid to advising the members of each unit of the state of party rectification and to soliciting their opinions. Social results [shehui xiaoguo 4357 2585 2400 2654] were stressed to win public and social recognition of the achievements in party rectification.

Consistent efforts were made to tackle organizational party rectification as a central task by establishing a party committee responsibility system for this purpose, strengthening leadership, and putting higher levels in charge of lower levels in connection with the task. Along with their efforts to consolidate themselves, party committees at all levels helped grassroots units solve problems and strengthened the building of grassroots organizations.

We paid attention to training key personnel for the party rectification. In the past 3 and 1/2 years, cadres sent by party committees at all levels methodically in different groups at different times to party rectification offices at all levels numbered 56,217. Of this figure, 3,379 were veteran comrades who had retired to the second and third lines. They served as aides to the party committees and worked hard. Through party rectification, they tempered and improved themselves. Practice has proved that it is a good way to cultivate and improve cadres.

While affirming the above achievements, we must be aware of the fact that there are still problems and shortcomings in Shanghai's party rectification work.

First, a few units gave only vague, general directions on party rectification; some units even simply made a gesture. These units with poor performance failed to seriously implement the party Central Committee's decision on party rectification and the directive of the Central Commission for Guiding Party

Rectification. Because they did not work conscientiously, their outlook did not change much. Second, our party style still leaves much to be desired. In the period of party rectification, we dealt with and curbed unhealthy trends, but we failed to consolidate our achievements. As a result, unhealthy trends often recurred. Some units even pushed unhealthy trends while curbing them. Important cases of abusing power to seek personal gains and breaking law and violating discipline, which corrupt our party style and ruin the image of our party, also occurred often. Some units did not seriously investigate and deal with these cases. Some units even built a "network of connections," practiced favoritism, and scrambled for fame and gains. Especially bureaucratism, which ignores the masses' sufferings, causes serious dereliction, and brings great losses to the party and state politically and economically, still fails to attract our great attention. This has been repeatedly criticized within and without the party.

Third, some party organizations failed to manage party affairs or failed to strictly manage party affairs. Some party organizations did not pay full attention to the party's ideological and organizational building. They still failed to include this work in party committees' meeting agendas. Some of them failed to seriously carry out the party's democratic centralism; they lacked fighting power. Some of them did political and ideological work poorly and were lax in organizational discipline. Some leading party cadres failed to persist in the party's principle and were not able to earnestly struggle against the phenomenon of violating party discipline.

The above mentioned shortcomings and issues remain to be solved in our future party building. The municipal party committee is mainly responsible for these issues. They have remained unsolved mainly because we have failed to check our party rectification work well enough. Though we became aware of some issues, we did not firmly grasp them. We did not seriously urge those units to solve these issues in good time.

To sum up, the municipal party committee points out: Under the correct leadership of the party Central Committee and the Central Commission for Guiding Party Rectification, thanks to the common efforts made by party organizations at all levels and all party members, Shanghai's party rectification has healthily developed. Shanghai has basically fulfilled the task of party rectification; promoted the work to reform and open to the outside world, economic development and all other work; trained leading groups at all levels; and acquired much experience in party building and ideological-political work in the new period. We still leave much to be desired, and some issues are even quite serious.

III. Consolidate and Develop the Achievements in Party Rectification, Strengthen Party Construction

Currently, the municipality's concentrated party rectification work has ended. However, party organizations at all levels must not be slack in their work. They must thoroughly understand that our party is the ruling party in a new environment of making reform, opening to the outside world, and invigorating

the economy and that because Shanghai is China's biggest economic center, we are facing the herculean task of transforming and developing Shanghai. Therefore, it is particularly important to strengthen the party's own building. It is necessary to continue solving those issues which remain unsolved in the period of party rectification and continue to push forward the party's building through day-to-day work.

1. We must strengthen party building in accordance with the two basic elements contained in the line of the 3d Plenary Session of the 11th CPC Central Committee.

Party organizations at all levels must profoundly understand the necessity and significance of further strengthening party building. The tasks of party building are enormous. They all boil down to a single task: to ensure the implementation of the line since the 3d Plenary Session of the 11th CPC Central Committee. There are two basic elements in this line. They are upholding the four cardinal principles and upholding the general principles and policies of carrying out reforms, opening to the outside world, and invigorating the economy. Party committees, discipline inspection commissions, organizational and propaganda departments, and party schools at all levels should study and explore the ways to undertake party building in accordance with these two basic elements. This is so that party organizations at all levels in Shanghai will spearhead the drive to uphold the four cardinal principles and the policies of carrying out reform, opening to the outside world, and invigorating the economy; lead the people throughout Shanghai to accomplish the tasks of socialist modernization; and make conscientious efforts to write good articles on party building in the new period. Party committees at all levels should conscientiously uphold the principles of "the party taking care of its own affairs" and "running the party strictly." They should also consider party building as their important task and place it on their agenda for the purpose of holding discussions, conducting studies, making plans, and carrying out inspections frequently. The various departments of party committees should coordinate and closely cooperate with one another to raise the work of party building to a new level. One should be keenly aware of the fact that although the party rectification drive has been successful, there are still many problems and shortcomings as well as weak spots and links. Continuing efforts should be made to solve the problems remaining in party rectification through the regular task of party building. Plans should be made and practical and effective measures should be taken to solve the problems of a handful of units with very poor performance in party building, especially units that have done only cosmetic work in this regard, before the convocation of the 13th National Party Congress. These efforts should persist until the leading bodies of the units concerned are reshuffled and the situation improves. The work of party rectification should be carried through to a successful end. It is necessary to complete the task of checking the "three types of persons." Party rectification departments and organizations and discipline inspection departments should make conscientious and responsible efforts to facilitate the handover of pertinent files and data and the settlement of any remaining problems.

2. We must constantly strengthen the building of leading bodies at all levels and raise the Marxist theoretical level of leading cadres.

Leading party cadres at all levels should step up theoretical studies and raise the Marxist theoretical level, especially the political and ideological level, of the leading ranks. They should also learn to use the Marxist stands, viewpoints, and methods to guide their own actions and to solve the practical problems in the four modernizations drive and of reform and the open policy. Efforts should be made to further enhance the democratic system within the party and to earnestly enforce the party's democratic centralism. Leading party cadres should voluntarily submit themselves to the supervision of party members and the people and make criticisms and self-criticisms in an effort to promote the initiative, responsible spirit, and capacity of party organizations at all levels in discovering and solving the problems within the party. It is essential to follow the principles of stressing both ability and political integrity and of "making the cadres more revolutionary, younger, better educated, and more professional." Leaders must faithful implement the party's current policies and score actual results in their work. According to the party charter, party organizations should undergo reorganization periodically. Democratic appraisals of the cadres should be commonly conducted, and efforts should be made to do a good job in making year-end evaluations of the cadres. Continuing efforts should be made to enrich and improve the leading bodies without neglecting efforts to preserve their relative stability. It is necessary to improve the results of investigation of the "three types of persons" and guard against infiltration into the leading bodies by such persons and other individuals with serious problems.

3. It is necessary to intensify education among party members and continue to raise their political awareness.

We must strive to raise party members' political awareness and understanding about building socialism with Chinese characteristics. In order to increase party members' awareness of party character, it is necessary to focus party lectures on educating party members about the ideal of dedicating oneself to the cause of communism, the goal of serving the people wholeheartedly, and the ideological line of seeking truth from facts. In organizing the vast number of party members to study the line, principles, and policies pursued by the party since the 3d Plenary Session of the 11th CPC Central Committee, it is especially necessary to concentrate on the two books, "Build Socialism With Chinese Characteristics" and "Uphold the Four Cardinal Principles, Combat Bourgeois Liberalization," and to deepen the struggle against bourgeois liberalization through education with positive examples. It is also necessary to popularize the good experience of conducting diversified and lively education among party members in the course of party rectification. In units where conditions permit, party members may be organized to attend rotational training. It is necessary to pay special attention to mobilizing positive factors among party members and encouraging them to learn from advanced members.

4. It is necessary to vigorously improve party style and strictly enforce party discipline.

It is necessary to carry forward the three important styles of work; that is, integrating theory with practice, forging close links with the masses, and making criticisms and self-criticisms. A responsibility system in improving party style must be set up at each level. It is necessary to teach party members to conscientiously resist and resolutely overcome all kinds of unhealthy practices, combat and resist favoritism, and eliminate bureaucratism, ultraintividualism, and liberalism. It is also necessary to foster healthy professional ethics and to correct unhealthy tendencies in all trades. Serious problems of power abuse for personal gain and of violations of discipline should not be tolerated and should be promptly handled in order to further improve party work style and bring about a change for the better in general social conduct.

We are facing a protracted and arduous task of party building in the new period. Party organizations at all levels have explored ways and accumulated valuable experience in strengthening and improving party leadership in the course of party rectification. So long as we consolidate and develop party rectification achievements, continue to improve party work style, and resolutely implement the line, principles, and policies pursued by the party since the 3d Plenary Session of the 11th CPC Central Committee, we will certainly be able to build the party into a strong nucleus leading the socialist modernization drive and guide the people of Shanghai in building the municipality into an open, multifunctional, highly civilized, modern socialist city with a rational production structure and advanced science and technology.

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CHEN FAWEN REVIEWS ZHEJIANG PARTY RECTIFICATION

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[Excerpts] Speaking on behalf of the provincial party committee at a forum on the committee's work on 30 June, Chen Fawen, deputy secretary of the Zhejiang Provincial CPC Committee, summarized Zhejiang's party rectification work.

The provincial party committee believes that because of the clear guideline contained in the CPC Central Committee decision on party rectification, the importance attached to the work by party committees at all levels, and the joint efforts of the vast numbers of party members, party rectification in Zhejiang has developed soundly and with notable success. Improvement has been made in the party's ideology, work style, discipline, and organization. Improvement is manifested in the following areas:

1. We have achieved ideological unity, primarily in our leading bodies at and above the county level, and especially in the leading bodies of the provincial, city, and prefectural party committees. We have resolved the question of maintaining a high degree of ideological and political unity with the CPC Central Committee and correctly understanding the line, principles, and policies adopted since the 3d Plenary Session of the 11th CPC Central Committee. We are able to more firmly grasp the two basic elements and are more conscious of implementing the line laid down at the 3d Plenary session.
2. We have rectified our work style. Primarily, we have resolved the prominent problems the masses had complained about, restored and developed the party's fine traditions, and improved our relations with the masses.
3. We have strengthened discipline and purified organization. Primarily, we have sorted out the three types of persons and discovered a number of party members acting in violation of the law and of discipline.
4. We have carried out the party's organizational construction, particularly the rectification and building of the leading bodies. As a result, the leading bodies of our party organizations throughout the province have become more rational in terms of their mix and more efficient in their overall performance. The party organization's combat effectiveness has improved.

However, there were also problems and shortcomings in our party rectification, and the development in the localities was not uniform. Some localities and units did not do well. Therefore, we must not overestimate our achievement.

In his summary, Chen Fawen stressed: With the conclusion of the concentrated, overall party rectification, we must on no account relax our efforts. We must increase our efforts to resolve the problems in party rectification left unresolved. We must seriously bring about the transition from concentrated party rectification to regular party building.

He said: The basic task in party building is to guarantee the implementation of the line laid down at the 3d Plenary Session of the 11th CPC Central Committee. This is also the guideline for party building in the new historical period, which should be implemented in the party's ideological and organizational construction and in its cadre and discipline inspection work. We must seriously study and summarize our experience in strengthening and improving party work in the course of reform and opening to the outside world and break a new path of relying on reform and institutional construction instead of relying on mass campaigns to make our party a strong core for leading socialist modernization.

In conclusion, Chen Fawen gave specific instructions to party committees on how to carry out party building.

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